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14th European Association for Comparative Economic Studies Conference
Regensburg, 8 – 10 September 2016

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The Call for Papers for the 14th EACES Conference invited proposals for paper and panels reflecting current and ongoing research on any theme of comparative economics.

Contributions that have been submitted as single papers are covered in the Paper Sessions (PS 1 to PS 24), whereas the panels are presented in Organized Panels (OP 1 to OP 11).

This book of abstract is structured accordingly, but does not use the titles of the single sessions. Rather, abstracts are listed in alphabetical order of the last name of the presenting author.

Full papers are available online via the conference website. If this is not the case, interested participants are kindly asked to directly contact the author.

Contributions to Paper Sessions

Acharya, Sanjaya (Oxford Policy Management, Tribhuvan University): Efficiency and long-term growth potential of value added tax system in developing world: the case of Nepal

Abstract: Value Added Tax (VAT) has become an integral part of domestic tax reforms in many developing countries. In an effort of modernising overall tax system, it is replacing not only sales tax but also several tiny indirect taxes except excise duties. Taking the case of a typical South Asian developing economy of Nepal, VAT associates a number of refunds to different private sector activities for promoting investment in high growth and export potential sectors. Total refund, more specifically the export refund, has a significant positive impact on the level of GDP. In efficiency ground, the size and growth performance of non-agricultural GDP have a strong positive influence to VAT C-efficiency ratio - defined as the ratio of effective VAT ratio to nominal VAT ratio. However, composition of VAT revenue does not have encouraging trend due to growing share from trade-related activities compared to production activities. Consequently, it has become more import-based. Likewise, VAT gap - the difference between potential and actual VAT revenues -- has been found bearing a strong association with C-efficiency ratio. The higher is the VAT gap, the lower is the C-efficiency ratio. If C-efficiency ratio is improved along with higher compliance on behalf of both taxpayers and tax authority, the capability of the government is strengthened in terms of the long-term domestic revenue generation.

Keywords: VAT; C-efficiency ratio; VAT gap; Growth; Tax compliance

JEL: H20, H21, H25

Email: sanjaya.acharya@gmail.com

Anikin, Vasiliy (National Research University Higher School of Economics Moscow, University of Essex): Skills training in India: Market or privilege?

Abstract: The current paper targets the issues of socio-economic development of contemporary India by exploring the factors of formal voca-

tional training. Drawing on the 2012 NSS 68th Round data, we have documented that in India training has a controversial nature including both market and non-market characteristics. The market nature of training is reflected in the significance of economic factors, such as inequality between occupations, the size of the organization, permanent employment, and human capital characteristics like tertiary education and skills. However, the market nature of the formal training in India is apparently contradictory, as intra-occupational diversity measured by the wage differentials within occupations does not encourage training among Indian workers. Moreover, we expected to reveal the impact of employment relationships on the probability of training measured regarding the written job contract, but its effect turned out to be insignificant. The statistically significant impact of socio-demographic factors such as age, gender, household size, marital status and religion on the probability of training reveals its non-market nature. Modernization theory gives a good explanation of this controversial phenomenon suggesting the pivotal role of ascribed statuses in societies with pre-industrial patterns, which is the case for India due to the high share of the rural population. From the methodological point, we have arrived at the results by applying the cross-classified models estimated with MCMC methods. By this, we have detected the significant structural variation in the probability of training at three cross-classified levels such as occupational structure, regions, and households.

Keywords: Skills training, occupations, cross-classified modelling, MCMC

JEL: J21, J24, J82

Email: vanikin@hse.ru

Boltho, Andrea (Magdalen College, University of Oxford): Export-led growth or growth-led exports? Western Europe in the Golden Age

Abstract: It is generally accepted that Western Europe's exceptional economic experience in the Golden Age (1950-73) was primarily due to a catch-up process as countries combined their surplus labour with imported American technology to (partially) close the gap in per capita incomes with the United States. The evidence supporting this hypothesis is overwhelming. It does not, however, explain all of the post-war experience. Several European countries performed better (or worse) than

might have been expected on the basis of catch-up alone. To explain such discrepancies, some authors have stressed the importance of exports rising at above average rates and, via multiplier and accelerator effects, generating a virtuous circle of reinforcing growth. The paper investigates this issue. It eschews formal "Granger causality" tests which, more usually than not, hide rather than reveal information about a country's experience and relies instead on three less formal approaches: i) An examination of export price and quantity changes to try and detect whether shocks came from the demand or the supply side; ii) A look at exchange rate developments to see whether persistent undervaluation, for instance, was present, thereby benefiting particular countries; iii) An investigation of the commodity and geographic composition of exports to assess whether some countries benefited from a favourable pattern of specialization. The conclusions reached are: [work is in progress and no firm conclusions have been reached as yet].

Keywords: Exports, Growth, Western Europe

JEL: N14, O47

Email: andrea.boltho@magd.ox.ac.uk

Brezinski, Horst (University of Economics Poznan, TU Bergakademie Freiberg), Ryszard Barczyk: A comparative analysis of macroeconomic stabilization policy in Poland and in Germany in the years 1990-2015

Abstract: The policy of macroeconomic stabilization plays a significant role in capitalist economic systems. Such activities have also been conducted in the Polish and German economies. Thus, we start out with the hypothesis that after the start of the transition process in Poland they are gradually becoming more and more convergent. Consequently, the aim of this article is to compare the objectives, instruments and effects of macroeconomic stabilization policies in the Polish economy where transformation processes occurred and in the German economy in the period of reunification. On this basis an attempt is made to examine the most important determinants and to find out the degree of convergence or divergence between those policies.

The article consists of three parts. The first one contains a comparative analysis of stabilization policies. This analysis includes the aims, instruments applied and the mechanism of their operation in each of the an-

alyzed countries. The second part discusses internal and external factors influencing the effects of stabilization measures implemented in Poland and in Germany. It concerns not only political-institutional factors determining the functioning of those economies and conditions resulting from the achieved level and character of their economic growth, but also external determinants connected with the participation of those countries in the processes of European integration. The last part presents the most important real and nominal effects (dynamics of economic growth, situation on the labour market, inflation) which show to what extent the stabilization aims were achieved in both countries. The final part contains conclusions concerning the extent of convergence or divergence between the stabilization policies implemented in Poland and in Germany.

The time range of the empirical analyses for the Polish and for the German economy covers the years 1990-2015, which results from the fact that the systemic transformation in Poland started in 1990 and the reunification processes in Germany commenced on 3rd October 1990.

Keywords: Business Cycles, Macroeconomic Policy, Comparative Economics

JEL: E3, E6, P5

Email: horst@brezinski.de

Chapman, Sheila Anne (Lumsa University), Valentina Meliciani: Regional disparities and structural change in Central and East Europe

Abstract: The paper analyses the determinants of regional income disparities and of their evolution in Central and Eastern European Countries (CEECs) between 1991 and 2011. With reference to the literature, it identifies regional groups on the basis of geo-sectoral criteria defined mainly by geographic location and changes in specialization patterns. In particular, data on the sectoral composition of economic activity and on foreign direct investment are used to distinguish regions in industrial decline and restructuring regions. The paper finds that regional per capita GDP disparities within CEECs have significantly increased over 1991-2011 and that such disparities are strongly linked to geo-sectoral factors. Peripheral regions (often specialized in agriculture) and old industrial regions lag behind, while urban regions and some restructuring regions forge ahead, also thanks to foreign direct investment.

Keywords: regional disparities, Central and Eastern European Countries, geography

JEL: R10, R11, R12

Email: chapman@lumsa.it

Cohen, Solomon (Erasmus School of Economics Rotterdam, Erasmus University Rotterdam): Global dominance of countries and regions

Abstract: Studies and discussions of global leadership, or global dominance, focus on the relative size of the GDP of individual countries. The approach suffers from two biases: the one criterion GDP bias, and the isolated individual country bias. The paper aims at proposing and applying solutions to these two bias problems. First, we present basic premises for measuring global dominance via a dominance index that avoids the GDP bias by combining population size with GDP size. This dominance index is quantified to give the list of leading countries. Second, the world cannot be seen as a loose collection of individual countries. Any individual country is allied to other countries in a regional formation, and is as such a member of a regional interest group that has common interests. The remedy to the isolated individual country bias is to decompose it into interregional and intraregional dominance, which is shown to add analytical insights.

The paper makes further use of the dominance index in projecting global dominance for the near future in the light of the expected displacement of incumbent leaders by newcomer leaders, and uses the foregone analysis in discussing designs of global governance.

Keywords: GDP size, population size, interregional dominance, intraregional dominance, world governance, G-20.

JEL: F02, F55, J11

Email: cohen@ese.eur.nl

Demidova, Olga (National Research University Higher School of Economics Moscow), Tatiana Danilenko, Marcello Signorelli: Unemployment Clubs in Russian Regions: spatial-econometric analysis

Abstract: The socio-economic development plan for the Russian Federation until 2020 states that the priorities of the state regional policy will be (i) balanced socio-economic regional development and (ii) the reduction of interregional disparities. In the research reported by this paper we adopted a "clubs approach" to examine the degree of the homogeneity of Russian regions according to the level of regional unemployment. The exploration of Moran scatterplots revealed a significant heterogeneity of Russian regions and suggested the distinction between two clubs: High-High (regions with high unemployment surrounded by regions with high unemployment) and Low-Low (regions with low unemployment surrounded by regions with low unemployment); some regions are not included in these two clubs. We tested the following main research hypotheses: (i) spatial effects for the High-High and Low-Low clubs regions differ significantly; (ii) the determinants of unemployment for the High-High and Low-Low clubs significantly differ from those for the other regions. The hypotheses were tested using a specially designed class of spatial-econometric models and estimated by regional data from 2004 to 2012 using difference GMM and system GMM. Partial empirical confirmation was found for both hypotheses. Our results can favor a better design of national and regional policies for improving labor market performance and reducing regional unemployment disparities in Russia.

Keywords: regional unemployment, regional clubs, spatial effects, Russia

JEL: J64, R23, R19

Email: demidova@hse.ru

Djalilov, Khurshid (Bournemouth University), Jens Hölscher: Market power, regulation and stability in the banking sector of transition countries

Abstract: This study explores the channels through which the regulations impact on stability in the banking sector of the transition countries. We argue that the channels through which the different regulations affecting stability vary between EU-member and non-EU transition countries. Our study considers 370 banks from 20 transition countries for the period 2001-2013, where 11 are EU-member (Bulgaria, Cro-

atia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) and 9 are non-EU (Albania, Armenia, Azerbaijan, Belarus, Bosnia, Kazakhstan, Macedonia, Serbia, and Ukraine) states. Our results show that higher economic growth and less competitive conditions would lead to a more stable banking sector in early (EU-member) transition countries. Moreover, the stabilisation effect of different regulations such as capital requirement, restrictions and supervisors (mainly Central Banks and other government bodies) is higher to the banks with higher market power. For non-EU transition countries we find that higher inflation rates significantly impact on higher levels of risk taking. However, capital requirements have a stabilisation effect and thus its higher level leads to more stable banking sectors in both groups of countries. Overall, our results are consistent with the theory that the outcome of the regulations-reforms varies across countries according to their institutional development and therefore the impact of banking regulation is different between EU-member (early) and non-EU member (late) transition countries.

Keywords: Banks, regulation, transition economies

JEL: P20, G21, E58

Email: kdjalilov@bournemouth.ac.uk

Ershova, Nina (National Research University Higher School of Economics Moscow): Investment climate in Russia and challenges for foreign business: The case of Japanese companies

Abstract: The improvement of the investment climate in Russia encouraging an inflow of foreign direct investment into the country's economy is being declared at the highest levels of the Russian government as an important objective for the further economic development of the country. One of the most important instruments for that improvement should be the consideration of the foreign investor's opinions and ideas and reaction to the most urgent and critical issues which serve as obstacles to their investment activities in Russia.

This paper considers the case of Japanese investors in Russia. It is based on the results of a survey of Japanese companies doing business in Russia (members of the Japan Business Club Moscow) and content analysis of a set of interviews with the representatives of Japanese business and

academic community and non-governmental organizations representatives.

We identify which factors attract Japanese capital to Russia and which hinder investment activities. Studying Japanese investment in Russia reveals the particular challenges and obstacles that make Japanese companies reluctant to engage in business activities in Russia. The research reveals and systemizes the factors restricting the development of investment cooperation and their roots, and identifies possible ways of overcoming these challenges.

The analysis shows that the constraining factors can be divided into 3 groups by the origin: external – associated with the problems of the investment climate in Russia, internal – revealing from the specific features of the Japanese production and management system and other factors – non-economic factors, which mainly concern business culture and informational issues.

Keywords: Russia, Business climate, Japanese investment

JEL: F23, M11, M12

Email: nershova@hse.ru

Estrin, Saul (London School of Economics), Stephanie Decker, Tomasz Mickiewicz: The deep roots of entrepreneurial aspirations in Africa

Abstract: We consider how the historical origins of institutional frameworks affect entrepreneurship in Africa, evaluating the extent to which historically-embedded institutional frameworks and other environmental conditions affect the likelihood of entrepreneurial start-ups,. We also investigate whether entrepreneurs in these countries are primarily motivated by the pressures of subsistence, or whether the broader economic context favours more ambitious entrepreneurial ventures which aim for business growth. To explore our ideas, we develop a new dataset which combines GEM data about African economies in 2013 with institutional and economic data. We present our results for nine countries and then focus on a pair of resource-driven economies, Nigeria and Angola, for which we conducted an in-depth analysis of entrepreneurial attitudes and historical context. We conclude by highlighting not only the historical origins of present-day institutional environments for entrepreneurship in Africa, but also emphasizing the more evolutionary

elements of the historical context that determine entrepreneurial aspirations.

Keywords: African entrepreneurship, institutions, entrepreneurial attitudes, historical context

JEL:

Email: S.Estrin@lse.ac.uk

Fedyunina, Anna (National Research University Higher School of Economics Moscow), Sergey Kadochnikov: Determinants of fast-growing firms and high-skilled interregional migration in Russia

Abstract: This paper presents an empirical evidence on the determinants of fast-growing firms in the Russian economy. Our main hypothesis suggests that students graduated from Top-100 Russian universities and higher education institutions are strong and robust driver of knowledge diffusion across Russian regions and that the pattern of employment of graduates from Top-100 Russian universities explains the pattern of the distribution of fast-growing firms across Russian regions. In order to explore the link between fast-growing firms and high-skilled migration in Russian regions we compile a unique dataset that includes data on interregional migration flows and wages of students graduated from Top-100 Russian universities. Since our dependent variable is the number of fast-growing firms under weak and strong criteria, we have count data model and employ the following estimation procedure. First, we run a Poisson regression with robust standard errors and negative binomial regression. Second, we check the robustness of results with zero-inflated negative binomial models.

Controlling for a set of regional socio-economic characteristics and fixed effects, we find that higher number of graduates with technical and non-technical degree in a region predicts higher number of fast-growing firms in that region. This fact could be an evidence of higher entrepreneurial and innovation potential of regions which host Top-100 Russian universities and which attract graduates from Top-100 Russian universities and higher education institutions. Moreover, we find that fast-growing firms tend to exist in regions, which provide higher wage premium for students graduated from Top-100 Russian universities relative to the average regional wage.

Keywords: fast-growing firms, high-skilled migration, Russian regions

JEL: L26, R1

Email: afedyunina@hse.ru

Fiedorczuk, Monika (University of Bialystok): Capital market as a factor of corporate sector development in Russia. The comparison with CEE economies

Abstract: The main goal of the paper is to analyze the evolution, main characteristics and the role of the capital market in Russia in the corporate sector, especially from the point of view of corporate governance. In many developed economies play a key role in the development and financing investments of public companies. Furthermore, capital markets are the main corporate governance mechanism. It is a result of a long time of their development and the evolution of law regulations. In Central and Eastern Europe countries capital markets development was possible because of the transformation process. Still those markets don't play important role in corporate governance. In Russia, capital market indicates particular features, inter alia: high concentration, significant role of the state both as a participant and as a supervisor and high dependency of raw materials' price changes. As a result, the capital market cannot be considered as a crucial factor influencing corporate sector development. As it will be shown, capital market in Russia is a specific one compared to the CEE region.

Keywords: Russia, capital market, corporate governance

JEL: G32, G34

Email: monika.fiedorczuk@uwb.edu.pl

Filipovic, Milorad (University of Belgrade), Miroljub Nikolic: Economic development of Serbia - Need for structural changes

Abstract: Structural changes are a long-term process, stimulated mainly by global developments in technology and innovation. They are important because they shape the opportunities for future economic development. Innovation in technology and skills allow for the same products to be produced at higher levels of productivity, the development

of new products and services, with simultaneous change in the structure of demand. Key features of structural changes are drop in the share of primary production and growth, and then stabilization of the share of the production, mainly high-tech sector. Serbia has achieved high average growth rate of GDP, but without significant changes in the economic structure, the expected reindustrialization, and the growth in production of tradable goods. Serbian development path in the last 15 years (after political changes and democratization) shows signs of serious deficiencies immediately after the start of Global crisis in 2008. Even 7 years later, due to growth based on low technological capacities, the reduction in employment and the inadequately employed workforce, loss of intellectual resources and technological setbacks, Serbia is still going through turbulent episodes of slow growth rates, in some years combined with negative results in production and GDP in others. It is entirely clear that Serbia needs structural changes of its economy, to become modern market-oriented country.

In this paper, we will analyze development results of certain number of countries of the SEE region, through TFP disaggregation of their growth rates. Decomposing GDPpc shows that high productivity without high employment does not mean higher, especially not sustainable economic growth. We want to prove that all successful countries rely on fostering of high-tech sectors and higher value-added product development. Instead of cheap workforce and natural resource utilization, their main comparative advantage becomes competitive business climate, predictable institution functioning, and increased investment in knowledge and innovation.

The results of our research will be concentrated first on SEE region, but also on other successful countries that have been passing through the transition process in the last 25 years. Positive experience of those countries is still not used in backward countries of SEE region that are in the process of EU accession like Serbia.

Keywords: structural changes, economic growth, technological development

JEL: L16, O47, O14

Email: miloradf@ekof.bg.ac.rs

Frensch, Richard (IOS Regensburg, University of Regensburg), Jarko Fidrmuc: Rivers and trade

Abstract: While rivers both impede and facilitate trade, the dual role of rivers has so far, to the best of our knowledge, not been explicitly considered. We expand the existing bilateral geographical CEPII-database by adding detailed information on bilateral river borders and indirect river linkages for 1,560 Eurasian country pairs (40 countries). Within a gravity framework, we assess the impact of international rivers on European trade, using disaggregate trade data derived from UN-Comtrade, both on trade flows and along the margins of trade. While substantial river borders are significantly detrimental to trade, international rivers have a small but positive net impact on European trade.

Keywords: Gravity, Economic Geography

JEL: F14

Email: french@ios-regensburg.de

Fujimori, Azusa (Osaka Seikei University): Technological diffusion through the foreign direct investment in manufacturing industry: Empirical evidence from a firm-level analysis in India

Abstract: This paper examine technological diffusion from foreign direct investment (FDI) investors to domestic manufacturing sector in India. We employ firm-level panel data from 2000 to 2007 covering all medium and large-size manufacturing industries in India obtained from Annual Survey of Industries published by Central Statistic Organisation. This study attempt to capture FDI spillover effect empirically from two different channel; horizontal spillover effect (technological diffusion in the same industry) and backward spillover effect (technological diffusion from downstream industries). In addition, period of technological diffusion is distinguished term of spillover effect the short-term and the long-term.

First, we estimate total factor productivity (TFP) of each manufacturing firm through the estimation of the Cobb-Douglas type production function, then estimate the impact increasing the ratio of FDI to domestic capital stock in each industry to TFP growth.

From the results of empirical analyses, we do not find any significant evidences of the horizontal spillover effect neither in the short-term nor in the long term. However, we find that TFP growth rate is fallen by the increase of FDI in downstream industries in the short-term, but raised

in long-term. In other words, increase of FDI contributes to technological development and productivity growth in Indian local suppliers through inter-industries relations in the long-term.

Keywords: Foreign Direct Investment, Technology Transfer, India

JEL: C82, F21, O53

Email: fujimori-a@osaka-seikei.ac.jp

Gatskova, Kseniia (IOS Regensburg), Barbara Dietz, Artjoms Ivlevs: Does migration affect education of girls in Tajikistan? Evidence from panel data

Abstract: Across the developing world, girls' and women's access to education continues to be hampered by a number of factors, ranging from household income constraints to restrictive social norms. Recent literature suggests that migration of family members and migrant remittances might be another factor affecting children's educational outcomes.

Evidence based on panel data is still in short supply, the channels through which migration and remittances affect education are not well understood and, crucially, relatively little is known about the gender effects of migration on schooling outcomes. Our research attempts to fill these gaps. Focusing on Tajikistan, the poorest post-Soviet Central Asian state, it asks the following questions: Do migration and remittances affect educational outcomes of girls? If yes, through what channels? Does emigration of family members affect social norms and attitudes of women staying behind and, if yes, does this feed into educational outcomes of girls and young women? To answer our research questions, we use household panel data from Tajikistan that were collected in the years 2007, 2009 and 2011. The extent of migration that Tajikistan witnessed in the last 20 years makes the country particularly appropriate for an examination of the link between migration and the schooling of girls. Taking advantage of our study we identify the concrete channels through which migration might affect the education and empowerment of women in this country and what policy options are available to reduce potential barriers girls and women might still face.

Keywords: Migration, education, Tajikistan

JEL: F22, O15

Hajek, Jan (Charles University Prague, Czech National Bank): Real exchange rate misalignment in the Euro Area: Can be deflation helpful?

Abstract: Is there any point of view enabling to regard deflation as helpful? The prevailing view across the economic community is that goods and services price deflations are always pernicious and economic history is able to provide abundant evidence to support such claim. This paper does not have the ambition to suggest otherwise, instead the paper tries to present an unorthodox perspective enabling specific economic unities to boost its competitiveness via falling prices. Under this scheme, deflation could be viewed as economic purgatory improving future economic prospects at the cost of severe recession in the beginning. In this paper, we use the behavioral equilibrium exchange rate approach to examine the extent of real exchange rate misalignment in the euro area over the period 1980-2014. In a panel cointegration setting, we find significant links between real exchange rates, relative productivity, trade balance and terms of trade. Unlike other papers related to the topic, we go further in the direction of linking the estimated misalignment to inflationary differentials. Our results indicate that a negative inflationary differential between individual country and the euro area itself decreases the extent of overvaluation of the country's real exchange rate. We also show the extent of overvaluation in peripheral countries of the euro area has been increasing since mid-2000s. At the end of observed period this trend partially stopped due to emergence of falling prices in these economies. We discuss implications of such reversal and conclude deflation in peripheral countries might be helpful when restoring its competitiveness.

Keywords: real exchange rates, misalignment, euro area

JEL: C21, F31, F45

Email: hajek.ja@gmail.com

Hölscher, Jens (Bournemouth University), Peter Howard-Jones, D. Radicic: The impact of European Union membership and loan financing on the performance of firms in the Balkan states

Abstract: This paper evaluates the respective performance of Balkan firms both within and outside the European Union (EU). The involvement of the Washington based institutions, the International Monetary Fund and the World Bank together with the EU Stabilisation and Association Process (SAP) for the Western Balkans provides an opportunity to evaluate the efficaciousness of the Washington Consensus process as internalised by the EU. In addition to the perceived desirability of EU membership for all Balkan countries, the European Central Bank (ECB) at a workshop held on the subject of EU accession expressed the view that financial development was important for economic development and that integration in relation to banks "was held to accelerate concentration, raising competition and pressure for efficiency, raising the extension of services and strengthening the competition for deposits" (ECB 2002). The European Bank of Reconstruction and Development (EBRD) has majored on the need to "rebalance finance" in transition countries in its 2015/16 Transition Report expressing concern about the lack of credit availability particularly amongst SME's (EBRD 2015). In the light of this, it is important to analyse the efficaciousness of EU membership alongside the development of the financial systems and to identify any differences in the performance and access to finance between firms in EU member countries and those in non- EU countries.

We use two distinct modelling techniques to estimate individual and joint treatment effects of the EU membership and a loan receipt on three outcome variables - output per worker (productivity), profitability and propensity to export. Firstly, the estimation of multivalued treatment effects using the inverse-probability weighted regression adjustment (IPWRA) modelling allows an analysis of the individual and joint (complementary, synergistic) effects of the two treatment variables (EU membership and a loan receipt) which provides a comparison of relative performance measures. Secondly, the main limitation of matching estimators is that they cannot control for unobserved firm heterogeneity. Therefore, to take into account a potential hidden bias, our second modelling strategy encompasses the use of a copula-based endogenous switching model which allows for a range of joint distributions of the error terms beside the normal distribution assumed in the Heckman selection model. This enables us to provide greater credence to the outcome analysis with the ability to interpret the functions of the control variables. Our results suggest that EU membership is the main driver of

productivity with the provision of loans an added bonus. Additionally, the provision of loans in non EU countries would indicate a propensity for gains in productivity.

We also find significant advantages to EU membership for profit per worker and identify that there is a strong influence on export with the advantages of free access to the European Union markets diminishing the impact of lack of competitiveness. Problems of access to finance and the availability of capital and credit is also more acute in non EU member states with both service and particularly manufacturing firms having issues in this area.

Keywords: Productivity, profit, loans.

JEL: D22, P23, P33

Email: jholscher@bournemouth.ac.uk

Kalkschmied, Katja (University of Graz): Rebundling institutions: Inter-related institutional elements and economic outcomes at the micro-level

Abstract: Current approaches to evaluate how institutions affect economic outcomes and cause cross-country differences in economic performance and development aim to estimate individual effects of different institutions and assess their relative importance for economic outcomes.

This paper suggests an alternative approach. I take on a system-analytical perspective and analyze how institutions of different types and kinds interact to jointly affect economic outcomes of coordination tasks agents face at the micro-level. I utilize mathematics on supermodular functions and sublattice sets and adapt the "Theory of Complementarities". The theoretical formulations presented account for a multi-causality of coordination tasks and show under which conditions the effects of single institutional rules and practices on the economic outcome of a coordination task depend on each other. I show how interrelated institutional elements form an institutional arrangement and exhibit a joint effect on agents' microeconomic outcomes which differs from the sum of their individual effects. The explanation lies in the existence of "Edgeworth" complements among institutional elements which exhibit a pos-

itive system effect on microeconomic outcomes. I make use of comparative statics to show that a plurality of institutional arrangements may maximize the economic outcome of the same coordination task across economic entities. I exemplify how the objective-maximizing institutional arrangement changes in the characteristic of a persistent institutional element which becomes an exogenous parameter that indirectly influences economic outcome via institutional interrelations. Heterogeneity among institutional frameworks across countries may deliver an explanation for persistent differences in the levels and growth rates of economic outcomes across entities.

Keywords: interrelated institutions, institutional complements, system effects

JEL: D, O, P

Email: katja.kalkschmied@uni-graz.at

Kemme, David (University of Memphis), Bhavik Parikh, Tanja Steigner:
Tax havens, tax evasion and tax information exchange agreements in the OECD

Abstract: Using data on Foreign Portfolio Investment (FPI) and country characteristics for 34 OECD host countries and 160 source countries, we find a positive relationship between higher tax burden and OECD residents' offshore tax evasion. Contrary to established investor preference for physical proximity, same language, legal system, and corruption control when investing abroad, we find that these characteristics are not important to tax evaders. We find no evidence that OECD Tax Information Exchange Agreements (TIEAS) reduce tax evasion, controlling for other determinants of FPI. More importantly, we find that tax evaders' perceived benefits outweigh any perceived costs of detection by tax authorities.

Keywords: Tax Haven, Tax Evasion, Foreign Portfolio Investment, Tax Information Exchange Agreements, OECD

JEL: F38, G38, H26

Email: dmkemme@memphis.edu

Keren, Michael (Hebrew University of Jerusalem): Is fighting inequality costly? Not when Homo Socialis is added to Homo Economicus

Abstract: The advanced economies have been plagued by rising inequality during recent decades. This trend is widely accepted as socially and politically dangerous; the present US election campaign shows that owners of extreme wealth may seem to be able almost to buy the presidency; other such examples abound. Yet it is also believed that tinkering with market determined distribution, e.g., by the imposition of high marginal taxes, saps incentives and leads to the withdrawal of productive effort. This paper claims that this assumption is unfounded, because human tastes, as usually viewed in economics, disregard our social needs. We have to take account of homo socialis, man or woman as a social animal in the utility function and recognize the need, for the great majority of us, for social standing and rank. And what counts for social status is not the absolute value of the resources that we command, or other badges of success, but where we stand relatively to others in our reference group. Any change that does not affect our rank within our social environment will therefore not impinge on effort.

Regarding tastes, the paper assumes that below subsistence incomes absolute resources are all-important, but once incomes rise, the weight of social standing and relative income rises. Consequently at very high incomes proportional taxes should not distort incentives. There exists historical evidence that such taxes need not affect incentives: confiscatory marginal taxes on the very highest incomes coincided in the aftermath of WW2 with the fastest growth rates.

This seems to run counter to the finding of the celebrated OECD study of the effect of taxation on growth, that finds that high marginal taxes harm growth. Yet a closer reading of the OSCE paper shows that it defines marginal taxes as taxes on mean incomes, not on extremely high ones, and is therefore not relevant to the subject at hand.

This paper's analysis disregards investment decisions by firms.

Keywords: Social utility function; inequality; taxation and incentives

JEL: D11, D31, H21

Email: michael.keren@mail.huji.ac.il

Kocenda, Evzen (Charles University Prague), Jozef Barunik, Lukas Vacha: Asymmetric volatility connectedness on a forex market

Abstract: We show how the bad and good volatility propagate through a forex market, i.e. we bring evidence of the asymmetric volatility connectedness on a forex market. With high-frequency intra-day data of the most actively traded currencies over 2007 - 2015 we document dominating asymmetries in spillovers that are due to bad rather than good volatility. We also show that negative spillovers are chiefly tied to dragging sovereign debt crisis in Europe and positive spillovers correlate with the subprime crisis, different monetary policies among key world central banks along with developments on commodities markets. It seems that combination of monetary and real economy events is behind the net positive asymmetries in volatility spillovers while scal factors are linked with net negative spillovers.

Keywords: forex market; asymmetries in volatility spillovers

JEL: C18, C58, E58

Email: evzen.kocenda@fsv.cuni.cz

Kocenda, Evzen (Charles University Prague), Jan Bruha: Financial stability in Europe: Banking and sovereign risk

Abstract: We analyze the link between sovereign risk and the banking sector systemic and performance-related variables in new EU countries that have joined the Union in 2004 and 2010. The systemic variables include the share of total bank assets in nominal GDP, the share of foreign in total bank assets, the ratio of bank credit to GDP, and the Lerner Index. The banking sector performance is reflected by the ratio of non-performing to total loans, the total capital to risk-weighted assets, and the Z-score insolvency indicator. The links between the banking variables and sovereign risk are particularly pronounced during the recent financial crisis. For empirical examination, we use a panel of sovereign risk data and a range of the above bank indicators for each country. Our tests show that the link between banking-specific variables and sovereign default risk is strong in new EU members that have adopted the euro (Slovenia and Slovakia) and weaker in the countries pursuing independent monetary policies (Poland, Czech Republic and Hungary). We identify a range of macroprudential and regulatory policies aimed at improving bank performance and, ultimately, at mitigating sovereign default risk.

Keywords: sovereign default risk; banking sector; global financial crisis

JEL: F15, G21, P20

Email: evzen.kocenda@fsv.cuni.cz

Körner, Jenny (University of Regensburg): Monetary transmission in the Czech Republic after the transformation

Abstract: This paper analyzes the transmission mechanisms of a contractionary monetary policy shock on the real economy. The sufficiently long regime uniform time period since the political transformation in the Czech Republic provides evidence for effective inflation targeting by the Czech National Bank. I apply a recursive vector autoregression (VAR), a structural VAR, and structural vector error correction model (SVECM). In the SVAR the restrictions imply a lagged effect of the monetary policy shock on output and prices in the short run, and money neutrality in the long-run. In the SVECM a money demand and an interest rate relationship identify the cointegrating vectors. The impulse responses of all models state a reduction of output and consumer prices after monetary tightening. The exchange rate overshoots its steady state level in the VAR and SVECM models, indicating a large degree of exchange rate volatility after the shock. The results reveal an interest pass-through from Czech monetary policy to inflation.

Keywords:

JEL:

Email: jenny.koerner@ur.de

Koyama, Yoji (Niigata University): Transformation and economic development in the Western Balkans: Focus on Serbia

Abstract: This paper gives, firstly, an overview of the Western Balkans. Then it considers challenges facing Serbia. Already at the end of the 1980 during the period of the former Yugoslavia Serbia started the transition to a market economy. In the 1990s, however, Serbia experienced the disintegration of the Yugoslav Federation and ethnic conflicts as well as UN sanctions, and the Kosovo war. Only after the fall of Milosevic regime in autumn 2000 Serbia was able to return to the international

community. The country restarted the transition and the European integration with a lag of 10 years. However, its economy was exhausted at that time. FDI inflow mostly went to the financial sector, services and real estate, and only a smaller amount went to the manufacturing industry. In the same way as in other post-socialist countries West European banks advanced to this country too. Until the 2008 global financial crisis Serbia experienced the economic development led by consumption, leaving its economy very vulnerable to external shocks. Contrary to short-term capital, FDI, staying in a host country for a longer time, contributes to the country's economic development and therefore it is very useful. However, multinational enterprises are fickle. As the case of the Smederevo steel factory, in which the US Steel acquired it in 2003 and withdrew in 2012, shows, FDI is never immobile. This paper argues that Serbia as well as other countries in the Western Balkans needs an industrial policy with active participation by the government.

Keywords: Western Balkans, Serbia, Economic Development

JEL: P26, P31

Email: ZAC00343@nifty.com

Kristalova, Maria (University of Bremen), Jutta Günther: Impact of EU and Russian sanctions on sectors in the German economy and EU-27

Abstract: Followed by the escalation of the Ukraine conflict in 2014, the European Union and Russia applied bilateral sanctions towards each other. This trade conflict affects not only the Russian economy, but also has significant repercussions for many economies in the European Union. This paper is focused on the impact of sanctions on their sender, the EU-27 and Germany in particular. The consequences of the deterioration of trade relations in general will be quantified in terms of overall production, value added, and employment effects. Therefore, the analysis makes use of an input-output approach and, compared to already existing studies, provides a thorough sectoral analysis. The calculations accommodate direct as well as indirect effects throughout the supply chain on a sectoral level. Preliminary calculations show that the indirect effects of sanctions tend to be more pronounced than the direct impact. The preliminary results for Germany, attained by use of the national Input-Output table for the year 2011, exhibit a realized loss in GDP of 0.46% and thereof 0.13% due to sanctions in 2015. Especially export-

oriented German sectors with strong backward linkages within Germany, such as motor vehicles and machinery are affected. For the time being, the economic consequences for Germany are manageable. This is in contrast to the hypothesized damage inflicted on other economies in the European Union such as Baltic and Eastern European economies.

Keywords: sanctions, trade policy, EU-27

JEL: F17, F15, E65

Email: maria.kristalova@uni-bremen.de

Kumo, Kazuhiro (Hitotsubashi University, Institute of Economic Research): Factors determining inter-regional migration patterns in Russia revisited: Analysis on origin-to-destination matrix, 1990-2013

Abstract: This paper examines regional economic conditions and their effects on interregional population redistribution patterns in Russia. After reviewing striking changes in population flows before and after the collapse of the former Soviet Union, an application of the gravity model on population migration in Russia is presented using a newly obtained interregional in- and out-migration flow matrix from 1990 to 2013, which were supplied by Rosstat (formerly Goskomstat). The analysis conducted comparison of factors affecting migration patterns between those in the Soviet era and in modern Russia, focusing on geographical factors, namely, the attractiveness of resource-mining regions. The analysis clearly showed major changes in the effect of governmental investment in determining migration flow before and after the collapse of the Soviet Union.

Keywords: Migration, Russia, OD Matrix

JEL: O15, P25, P39

Email: kumo@ier.hit-u.ac.jp

Lazarov, Darko (Goce Delcev University), Trajko Slaveski: Empirical estimation of macroeconomic and institutional determinants of capital markets development in the CEE countries

Abstract: The results of the empirical research works related to financial development and economic growth indicate positive and statistical significant correlation between stock market development and economic growth in transition economies which supports the hypothesis that capital market development might boost economic growth. On the other side, the extent and the speed of capital market development in these countries are quite different. The evidence shows that some countries have experienced a large boom, while other countries still have underdeveloped capital markets. The main aim of this paper is to investigate whether the cross-country differences in macroeconomic and institutional determinants explain differences in the level of capital markets development among the CEE countries during the transition and post-transition period. More specifically, the paper examines the impact of macroeconomic, financial and institutional determinants on capital markets development in the CEE countries by using dynamic panel regression analysis (GMM) for the period 1997 to 2013. The stock market development capitalization relative to GDP is used as a proxy variable for capital markets development. Preliminary results of the estimations show that macroeconomic factors such as economic performance, bank sector, investment and macroeconomic stability are important determinants of stock market development. Also, the results show that institutional factors which strengthen the investors' rights and their confidence are strongly related to the capital markets development.

Keywords: Capital markets development, macroeconomic, financial and institutional determinants, CEE countries.

JEL: G20, G28, O55

Email: darko.lazarov@ugd.edu.mk

Lissowska, Maria (Warsaw School of Economics): Financial decisions of households in post-transition countries - what does it impact: income or culture?

Abstract: This paper attempts to compare the trends of borrowing and saving in post-transition countries in the larger perspective of financial decisions taken by a household over the life time. It uses the classical permanent income and life cycle hypotheses, but admits irrationality of decisions taken by households. Using different types of data (macro and microeconomic) it concludes that regular life cycle of financial decisions

(saving when young, then taking mortgage credit, afterwards repaying it, finally saving for retirement) is relevant for richer households from developed countries only. The decisions of households in post-transition countries significantly depart from this cycle. In particular, saving in post-transition countries is rare and only for a part of households is motivated by gathering resources for retirement. Mortgage borrowing pattern departs from this foreseen by life cycle hypothesis, while non-mortgage borrowing is more frequent and was rising more quickly than in more developed European countries. This type of behaviour is similar to the one of poorer households from developed countries. However, also lower financial awareness and lack of precautionary culture of older generation and of less educated people, in particular from more remote areas impacts on this. Scarcity of some financial products (as private pensions) and an exceptional opportunity of becoming owner of residence through privatisation are additional factors of particularities of financial decisions in post-transition countries.

Keywords: consumer finance; post-transition countries

JEL: G02, P36, P51

Email: lisso@sgh.waw.pl

Litvinova, Maria (University of Trento), Maria Luigia Segnana: Import competition and firm reorganization. The case of transition countries

Abstract: Recent managerial literature has found new evidence on the link between international trade liberalization and the changes of internal firm organization in developed countries. In particular, import competition is shown to stimulate firms to become flatter (Wulf, Guadalupe, 2006). Opposite to a widespread assumption that flattening implies higher decentralization, flattening may, in practice, increase the control of higher managers (Wulf, 2011). A coherent theory explaining such evidence has still to evolve. However, it is often argued that flattening allows firms to make intra-firm coordination and information sharing more efficient.

The aim of this study is to complement existing literature focused on developed countries, by studying the process of flattening and its link with trade liberalization in transition countries. Analysis of such a link would allow shedding more light on firms' adjustments to trade liberalization. Moreover, it would underline the drivers of additional possible

gains from trade due to organizational change in these countries. The analysis is based on the EBRD-World Bank Management, Organization and Innovation (MOI) survey on more than 1000 firms in 10 transition countries, supplemented by the information on trade liberalization.

The results show that firms become flatter as a response to the increase in import penetration, thus, confirming existing evidence on the positive link between trade liberalization and firm flattening. However, the paper underlines other factors influencing flattening, ownership structure in particular. Such results bring us closer to the understanding of intra-firm adjustments prompted by increasing foreign competition, and highlight the opportunities for intra-firm efficiency growth.

Keywords: flattening, trade liberalization, transition countries

JEL: L2, F14, P2

Email: maria.litvinova@unitn.it

Ma, Xinxin (Hitotsubashi University, Institute of Economic Research):
Industrial segregation and wage gaps between migrants

Abstract: This paper explores industrial segregation and its impact on wage gaps between rural-urban migrants and local urban residents in China. Using CHIP2002 and CHIP2007, decomposition analysis is conducted based on Brown et al. (1980) models. Several major conclusions emerge. First, there are differentials in occupation distribution by migrants and local urban residents groups, and there exist industrial wage gaps in both migrants and local urban residents groups in 2002 and 2013. Second, although both the inter-industrial differentials and intra-industrial differentials affect the wage gaps between migrants and the local urban residents, the effect of intra-industrial differentials affect is greater in 2002 (80.6%) and 2013(145.7%).Third, considering the effect of intra-industrial differentials, although the effect of endowment differentials (human capital) is greater than unexplained differentials (discrimination) in both 2002 and 2013, the effect of unexplained differentials in intra-industrial differentials rise greatly from 19.4%(2002) to 68.0%(2013). The results shown that holding other factors constant, the problem of discrimination on migrants in the same industry is becoming more serious recently. In addition, the effect of endowment differentials in intra-industrial differentials rise from 61.2% (2002) to 77.7%

(2013). These results indicate that for reducing wage gaps between migrants and local urban residents, employment equality law and an equal pay for equal work policy are most important. In the same time, policies for reducing the gaps of human capital such as education and tenure years between migrants and local urban resident also should be performed in the long-term.

Keywords: industrial segregation, wage differentials, migrants, local urban residents, urban China

JEL: J16, J24, J42

Email: maxx@ier.hit-u.ac.jp

Mádr, Michal (Mendel University Brno), Ludek Kouba: The type of political regime and economic growth: Evidence from European post-socialist economies

Abstract: The main aim of the paper is to explore whether the political system affects economic growth in European post-socialist economies. As indicators of the political regime we use three proxies, Regime (a dummy based on the Nations in Transit reports), Polity2 (a dummy based on the Polity IV Project) and a variable of political rights and civil liberties (a dummy processed from Freedom in World). The research uses panel data regression analysis, namely, a fixed effects method with a robust option and a GMM dynamic panel data estimator. Within fixed effects, we distinguish short-run (economic performance) and long-run (a five-year average) economic growth. The reference period is focused on the period 2000-2014 due to the data availability. According to the results of the three models, the proxies of the political regime are not statistically significant and have an ambiguous impact, which is in accordance with the view prevailing within empirical literature. Regarding the economic proxies, economic growth is affected by the initial level of economic development ("the effect of convergence"), the growth of real GDP per capita in the previous year (the initial condition) and the growth of gross investments and export to GDP (the input factors). Above mentioned conclusions are illustrated by comparison of the individual political regimes. The hybrid and authoritative regimes achieved in average about 40% of economic level of the post-socialist democratic states in 2000. Nowadays hybrid regimes have the similar level, whereas authoritative regimes accomplish about 73%.

Keywords: Political regime, economic growth, post-socialist economies

JEL: O43, O47, P26

Email: xmadr@mendelu.cz

Marek, Philipp (University of Bremen, Halle Institute for Economic Research), Bruno Merlevede: Regional policy and firm performance - Evidence for Eastern Europe

Abstract: The European Union allocates a large share of its budget to Structural Funds Program in order to reduce regional disparities and to foster the economic, social and territorial cohesion across its member countries. Given its importance, many studies have aimed to evaluate the effectiveness of the EU's regional policy. These studies, which were predominantly focused on the growth of regions in the EU, have shown that impact EU Structural Funds depends on the regional absorptive capacity, the objective of the funds and on the intensity of Structural Funds. So far, there is little evidence on the direct and indirect effects of EU Structural Funds on the performance of firms.

This paper provides to the literature through the combination of firm-level information with detailed information on the regional distribution of EU Structural in Central Eastern European new member states. By applying a Heckman-GMM estimation, we are able to assess the impact of the EU's regional policy on the survival probability of firms and on firm performance indicators such as productivity, value added and employment. A high share of EU Structural Funds leads to an increase in employment and to a lower productivity of firms located in the corresponding region. Furthermore, our findings confirm that it is essential to take a precise look at the expenditure categories. Funds allocated in the category of productive environment lead to a higher probability of small and low productive firms to stay in the market and, hence, promote a persistency of existing economic structures.

Keywords: Regional Policy, Firm Performance, Firm Survival

JEL: C34, H23, O52

Email: philipp.marek@uni-bremen.de

Marelli, Enrico (University of Brescia), Marcello Signorelli: Output, investment and (un)employment gaps in the Eurozone: new policies are urgently needed

Abstract: Eurozone has been hit by a "double crisis" (the 2008-09 financial crisis and Great Recession plus the 2010-12 sovereign debt crisis), with huge real effects in several countries, and is currently characterized by a stagnation scenario with prevailing deflation and persistently high unemployment. We argue that some causes of this evolution are to be found in the uncertain, delayed or inadequate policies decided by the EU institutions or implemented in the individual countries. Moreover, structural reforms are important to reinforce growth only in the long run and now there is a clear problem of deficient aggregate demand in the Eurozone as a whole and it is particularly evident in some member states.

The paper provides new empirical evidence not only on the "severity" of the crisis but also on the fall of individual components of aggregate expenditure: in particular, a true collapse occurred for investments, both private and public. It also focuses - in a comparative perspective - on the significant "gaps", regarding output, (un)employment and other macrovariables, with respect to both pre-crisis performance and key policy goals.

The short-run policy implication is that the Eurozone needs an "aggregate demand shock", e.g. a massive investment plan, much bigger than the unsatisfactory "Juncker plan". Regarding private investment, we notice that ECB's unconventional measures have been important to "save" the euro and to create liquidity, but the credit conditions are still disappointing in several countries. A more definite solution would be to introduce "project-Eurobonds" or other mechanisms, including appropriate reforms in the EU/Eurozone governance.

Keywords: Eurozone, output gap, investment

JEL: P44, P51, F45

Email: enrico.marelli@unibs.it

Masso, Jaan (University of Tartu), Priit Vahter: Knowledge transfer from multinationals through labour mobility: Learning from export experience

Abstract: Labour mobility is considered to be one of the key channels of multinational firms' (MNE) effects on productivity of domestic firms in the host economy. This paper investigates one of the channels through which these spillovers of labour mobility on firm performance can operate. We focus on the relationship with export entry and export market expansion, as lot of knowledge transferred through FDI is likely to be related to trade. We use employer-employee level data from Estonia. The findings confirm that hiring especially managers or top specialists--proxied by high-wage employees--with experience from MNEs is associated with higher firm performance. Also, hiring MNE-experience employees is associated with a wage premium both for the hired and incumbent employees at the domestic firm. However, we show that the estimated relationship appears to be reflecting in particular the mobility of export-experienced employees. Our evidence suggests that an important channel of the effects is the increase in propensity of export entry by domestic firms. The results imply that the effects of external experience may be stronger especially in the 1st stage of internationalisation of a firm. We do not find evidence about additional effects on later introduction of new export products or firm's later expansion in terms of number of markets.

Keywords: multinational enterprise, spillovers, export entry, labour mobility

JEL: F10, F23, J60

Email: jaan.mass@ut.ee

Mavisakalyan, Astghik (Curtin University): Looks matter: Attractiveness and employment in the Former Soviet Union

Abstract: The rigid Soviet policy of full employment ensured employment for all able-bodied population. By removing this policy, the collapse of the system has made discrimination less costly. Has it also become prevalent? This paper studies the labour market discrimination on the basis of looks using data from three post-Soviet countries of the Caucasus: Armenia, Azerbaijan and Georgia. I estimate a large positive

effect of attractive looks on males' probability of employment. Using a partial identification approach, I show that this relationship is likely to be causal. The results are potentially consistent with taste-based discrimination in favour of attractive males.

Keywords: Attractiveness, Employment, Former Soviet Union

JEL: J21, J24, P24

Email: astghik.mavisakalyan@curtin.edu.au

Melcarne, Alessandro (Università del Piemonte Orientale), Giovanni B. Ramello: Justice delayed, growth denied: Evidence from a comparative perspective

Abstract: Institutions play a fundamental role in economic development. However, even the most well-designed regulatory environment might turn out to be (at best) ineffective if not properly enforced. Accordingly, a rapid and well-functioning law enforcement system is generally a top priority in politicians' agenda around the world. This becomes even more relevant since the symptoms of courts' poor performances are a common trait of both rich and developing countries. The need of an effective justice sector is not only related to the necessity of keeping civil litigation under control (and thus help preserve social cohesion), but is equally essential for economic growth. Previous literature has unveiled the link between economic activity and courts' delay in solving cases: the time needed to dispose a private lawsuit increases uncertainty among economic actors, thus hindering transactions on markets. The present works tries to contribute to the extant debate on this topic, by considering the further nexus between judicial delay and economics growth. By exploiting a cross-section dataset of 175 countries from all over the world, our work reaches two conclusions: (a) judicial delay turns out to be a relevant and significant determinant of growth, as every extra year needed to dispose (on average) private litigation lowers growth rate by over 1%; (b) differently from a substantial stream of literature supporting the idea that common law systems are better equipped to foster economic development, we find no significant difference when moving from the regulatory environment to its actual enforcing mechanisms.

Keywords: Economic Growth, Institutions, Judicial Delay

JEL: O43, K41, H4

Montag, Josef (Mendel University Brno), Peter Huber, Hana M. Smrcková, and Petr Sunega: The impact of housing privatisation on individual unemployment risks in transition economies

Abstract: Homeownership is believed to cause higher unemployment. This is because homeowners face higher mobility costs and may have lower willingness to move---limiting their job search to local labor markets. Empirical tests of this prediction have yielded mixed results. However, since homeownership in these studies is not randomly assigned, their interpretation is unclear. This paper documents that privatization of public dwellings created a quasi-experimental assignment of homeownership to individual households. This allows us to study the causal effects of homeownership. Homeownership lowers mobility, however our estimates of the effect of homeownership on unemployment are in the neighborhood of zero.

Keywords: Homeownership, unemployment, housing privatization.

JEL: J61, J64

Email: josef.montag@gmail.com

Myant, Martin (European Trade Union Institute): Varieties of capitalism and barriers to growth in east-central Europe

Abstract: The varieties of capitalism framework has suffered from emphasis on static classification and postulated permanence of institutional features. To be more appropriate to countries of east-central Europe, it is reinterpreted to emphasise development and change. Economic growth potential is influenced by political choices that set the institutional framework and are themselves the result of past thinking. Economic development in turn has strengthened the social base for economic thinking that leads to economies with low tax levels, small states, high levels of employment precarity, limited labour-force participation and low qualification levels. How economic, social and political developments have influenced each other since 1989, how these limit countries' growth potential and the forces for further development and

change are explored for the V4 countries. This points to a direction for developing the varieties of capitalism approach in general.

Keywords: varieties of capitalism, political economy

JEL: P26, P27, P16

Email: mmyant@etui.org

Nikitina, Alisa (National Research University Higher School of Economics Moscow), Fuad Aleskerov, Natalia Meshcheryakova, Sergey Shvydun: Long-range key borrower index for evaluation of power of countries as borrowers

Abstract: The paper proposes a new method for assessing the agents' influence in the network structures, long-range key borrower index, which takes into consideration the intensity of interactions. A distinctive feature of this approach is that it considers not only direct interactions of the first level and indirect interactions of the second level, but also long-range indirect interactions. This approach helps us to identify systemically important elements which cannot be detected by classical centrality measures and other indexes.

The proposed method was used to analyze the banking foreign claims for the end of 1Q 2015 on the basis of the Bank of International Settlements consolidated banking statistics (CBS). As a result it allows to detect countries with the most interconnected financial systems taking into consideration the intensities of countries' banking systems interactions.

Under this approach two types of key borrowers were detected: a). major players with high ratings and positive credit history; b). intermediary players, which have a great scale of financial activities due to favorable investment conditions and positive business climate.

Finally, the level of countries' interconnectedness was estimated through a broad range of centrality measures: weighted degree centrality, closeness centrality, betweenness centrality, PageRank and Eigenvector centrality. These results are compared with proposed long-range key borrower index.

Keywords: key borrower index, systemic importance, interconnectedness

JEL: C7, G2

Nugumanova, Lyazzat (IOS Regensburg, University of Giessen): Energy policy in Kazakhstan

Abstract: The primary focus of this study is analysis of economy-wide effects of the removal of existing energy subsidies in Kazakhstan. Total implicit consumer subsidies for energy products in Kazakhstan amounted to 6 billion USD in 2013. Consumer subsidies in Kazakhstan, expressed through low domestic energy prices which are below the full cost of recovery, predominate in quantitative terms. Energy policy reform is analyzed using computable general equilibrium approach and global data base. Comparative static multiregion, multisectoral computable general equilibrium model, GTAP is employed in this study. GTAP model provides detailed linkages between different sectors of the economy. General equilibrium models are particularly useful in policy analysis, though they are meant not for forecasting, but are rather meant to provide general directions of change due to the policy change. GTAP data base version 9, the latest version of GTAP data base is modified to analyze energy consumer subsidies in Kazakhstan. The results demonstrate that energy subsidies reform would have positive effect on the overall welfare, decrease of energy demand, and increase in exports of energy products and structural change of the economy in the country.

Keywords: CGE; Energy Policy; Kazakhstan

JEL: C68, Q43

Email: nugumanova@ios-regensburg.de

Orosz, Agnes (Institute of World Economics of the Centre for Economic and Regional Studies of the Hungarian Academy of Sciences, Faculty of International and European Studies, National University of Public Service, Hungary): The evolution of the East Central European welfare state regime

Abstract: The overall aim of the research is to provide a comprehensive analysis of social policy developments of East Central European countries in order to assess whether there is distinct East Central European

(ECE) welfare state regime. The classification and the distinctiveness of welfare states in East Central Europe are of great interest in contemporary welfare state literature. The paper aims to summarize the distinct features of the ECE model based on the evolution of welfare state generosity ratios and other welfare state indicators before and after the outbreak of the financial and economic crisis and link it to the evolution of income inequalities. In the research project East Central European welfare states constitute a distinct welfare state regime, leading us to the main research questions: What are the distinct features of the welfare state model in East Central Europe? Have the countries of the ECE model become more similar over time and in which social policy categories?

On the one hand research on social policy in East Central Europe is relevant due to the theoretical disagreement about the characteristics, commonalities and differences of the post-communist/CEE or ECE welfare model. On the other hand this region is typically left outside the analysis of social policy changes within the European Union.

The research follows the classical stages of any research design in social sciences: examination of previous theoretical frameworks, formulation of hypothesis, operationalisation of concepts, collection of data, analysis of the empirical material and explanation of findings.

Keywords: welfare state generosity, East Central Europe, welfare state regime

JEL: I38, P52

Email: orosz.agnes@krtk.mta.hu

Ostapenko, Nataliia (University of Tartu): Effect of Informal institutions and social conditions on the perceptions of government actions: Comparative analysis

Abstract: It is well-known that peoples' perceptions of external world influence their everyday behaviour. The purpose of this study, therefore, is to define the extent and way of social conditions' and informal institutions' influence on the perceptions of government actions. To do so the European Social Survey dataset was used and the analysis has been conducted at the individual level. As the proxies of informal institutions the Kaasa's et al. cultural proxies were used. The additional

proxy has been defined by the extracting the error term from the regression for the perception of gays and lesbians freedom depends on the perception of the importance of treating people equally and having equal opportunities. The appropriateness of these proxies has been checked by the correlation at the national level (14 countries) with Inglehart's and Hofstede's national culture measures and these proxies were found to be highly correlated with some of the measures. Because these effects could vary across countries due to the simultaneous impact of the formal institutions, the comparative study of the effects from regressions, from regressions with country dummies and interaction terms and from separate regressions for each country have been implemented. The robustness of the results has been checked by using additional Tabellini's national culture proxies. The main findings are that informal institutions and social conditions at the level of individual are empirically connected with the person's satisfaction with the government and could impact as directly as well as through the formal institutions, but this effect varies across countries.

Keywords: institutions, social conditions, government

JEL: Z100, P480, D030

Email: natayal107@mail.ru

Paes, Kadri (University of Tartu, Faculty of Economics and Business Administration), Anneli Kaasa, Urmas Varblane: Regional cultural context as a determinant of entrepreneurial behaviour: the case of Germany

Abstract: The current article describes the regional cultural context as one of the possible determinants of entrepreneurial behaviour, relying on the example of Germany. The main objective is to take the first steps towards understanding whether regional cultural background has an influence on a person's entrepreneurial behaviour. Therefore, several questions are raised. Firstly, whether cultural context matters in regards to entrepreneurship. Secondly, if yes, what kind of cultural dimensions matter. Thirdly, is the influence different for early stage entrepreneurship and for owners of established businesses.

Combining Global Entrepreneurship Monitor (GEM) individual level data about entrepreneurship with regional level characteristics and cultural dimensions enables us to carry out multilevel regression analysis

to specify influence of cultural determinants for different stages of entrepreneurship. The aforementioned cultural dimensions are based on Hofstede's approach and reflect region's (NUTS 1 level) power distance, uncertainty avoidance, individualism-collectivism, and masculinity-femininity.

The example of Germany is interesting because of historically developed cultural heterogeneity and existing differences in entrepreneurial activity between eastern and western states, though formal institutions are similar and infrastructure has become more alike throughout the past 25 years.

Preliminary results indicate that regional cultural context is an important determinant of entrepreneurial behaviour and the impact of culture also differs among different phases of entrepreneurship. Low level of uncertainty avoidance in a region could have positive impact on early stage entrepreneurship, but for more people to become and operate as an owner-manager of an established businesses, a lower level of power distance in a region could be necessary.

Keywords: Entrepreneurship, cultural dimensions, Germany

JEL: M13, M21

Email: kadri.paes@ut.ee

Pham, Tho (University of Sheffield): Multimarket competition and profitability: Evidence from Ukrainian banking

Abstract: This paper examines the impacts of multimarket competition on bank financial performance in the Ukrainian banking industry from 2009Q1 to 2015Q3. Repeated competition is indicated by multimarket contacts. We find that banks are more profitable with higher level of multiple market contacts. Moreover, the effect is stronger when multimarket competitors coincide in more competitive markets. The findings imply the anti-competitive effect of multimarket contacts: when banks compete with the rivals in multiple markets, they have incentives to cooperate instead of competing aggressively. The results support the mutual forbearance hypothesis in banking industry.

Keywords: Banking; Multimarket competition; Profitability

JEL: G21, L11, L25

Email: t.a.t.pham@sheffield.ac.uk

Pilc, Michal (Poznan University of Economics and Business), Monika Naskrecka: Are there any differences in how democratic and autocratic countries adapt the employment protection legislation in reaction to the macroeconomic shock?

Abstract: Labour economists agree that Employment Protection Legislation (EPL) affects the way the labour market functions. In this context it is quite surprising that only a relatively small number of studies was aimed at answering the question of what determines EPL and how. We contribute to the literature by focusing our interest on the EPL changes after the macroeconomic shock and by augmenting the analysis with autocratic regimes, where the government can change EPL without the risk of losing the elections, even when most labour market participants do not support such a change. We also assume that the adherence to the labour law is significantly lower in autocratic countries than in democratic states, which means that the autocratic government may increase the stringency of formal employment protection without limiting the labour market flexibility in practice. In result, our theoretical model predicts that after the positive (negative) macroeconomic shock a democratic government will rather increase (decrease) the protection of employees, while the autocratic government will reduce (extend) it.

The empirical analysis was conducted for OECD and post-socialist countries for years 1991-2013. We have used three indicators of employment protection, two measures of political system and two indices of adherence to the labour rights. The analysis has been predominantly based on a seminal within-between model advocated by Bell and Jones (2015). The obtained results have revealed that the signs of the estimated parameters are consistent with the theoretical model, however, the analysed relationship is not statistically significant in all specifications.

Keywords: employment protection legislation, political freedom, transition countries

JEL: D72, J83, P20

Email: michal.pilc@ue.poznan.pl

Pompei, Fabrizio (University of Perugia), Cristian Perugini: Over-education and wage inequality across European Union countries

Abstract: Over-education is an important mechanism for labour market adjustments when there is an excess of supply of high-educated workers with respect to an abundant demand in lower level occupations. Especially during crisis times, better educated workers less reluctantly accept lower qualified jobs as alternative to unemployment (Dolado et al. 2009). Independently on their productivity, very often these workers suffer a pay cut for this education mismatch and wage inequality could increase if we compare their earnings with those of well-matched workers at the same education level.

On the other hand, the last OECD outlook (2015) argues that the net supply of high versus medium-skilled workers can account for one third of the differences across EU countries in terms of wage inequality, especially if we look at the D9/D5 ratio. This means that the scarcity of high-skilled workers in the labour supply, compared to the demand, still causes important wage premia and high inequality.

This paper wants to explore these aspects by taking into account labour polarization theories (Acemoglu and Autor, 2011) and by investigating the relationship between education mismatch and wage inequality, in routine and non-routine occupations. The idea is that inequality could to a large extent depend on the changes that crisis caused for routine jobs and for workers with intermediate levels of education who had to adapt to low-skilled non-routine jobs and became over-qualified.

Our empirical analysis is based on individual level data coming from EU-SILC database and includes most of EU countries. First of all, we study the distribution of over-qualified workers across countries, sectors and different education levels (tertiary and secondary level of educational attainment). Changes in this distribution during and after the crisis will be taken into account by considering years from 2007 on.

Secondly, we study the effect of over-education on wages within the different education levels and by distinguishing between routine and non-routine jobs. The outcomes provide interesting evidence on which we base some policy implications.

Keywords: wage inequality, over-education, EU-Silc, mismatch

JEL: I24, J31, C21

Email: fpompei@unipg.it

Prochniak, Mariusz (Warsaw School of Economics): The impact of product market competition on economic growth in the EU countries: Does the model of capitalism matter?

Abstract: The paper combines the analysis of the models of capitalism with the empirics of economic growth. We follow the approach adopted by Amable (2003) who analyzed the models of capitalism in different countries on the basis of five domains, among others, product market competition. We link product market competition in the countries belonging to four models of capitalism (Anglo-Saxon, social democratic, European continental, and Mediterranean) with economic growth. In more detail, the study examines the impact of product market competition on economic growth of the EU countries. Second, the analysis aims to distinguish whether the impact is the same or different among various models of capitalism prevailing in Western Europe and on this basis to assess the behavior of the Central and Eastern European countries. To measure product market competition, we use both input and output variables (like product market regulation from the OECD database and the number of firms in different sectors from Eurostat). We estimate growth regressions where GDP growth rate is regressed against a number of variables, including product market competition, but also initial GDP per capita level as well as some other typical economic growth determinants. To obtain robust results, we apply panel data with overlapping observations as well as nonlinearities. The models are estimated on the basis of Blundell and Bond's GMM system estimator. It turns out that product market competition is important economic growth determinant and that there are some differences between the countries with different model of capitalism.

Keywords: models of capitalism, product market competition, economic growth

JEL: O47, P10, P51

Email: mproch@sgh.waw.pl

Radu, Dragos (IOS Regensburg), Bogdan Voicu: Emigration and political development: Evidence from Eastern Europe

Abstract: We study the impact of large emigration flows on electoral outcomes in the sending country. Our analysis exploits the regional variation in migration patterns and political preferences using Romanian census data and results from the two rounds of the 2014 presidential elections. A political shock due to changes in electoral rules for external voting triggered large protests between the two rounds and allows us to identify the impact of emigration on the political behaviour of those left behind. We develop a novel set of instruments drawing on historical migration data to deal with potential confounders affecting both migration and political choices. These allow us to estimate the migration, turnout and vote-share equations simultaneously (3SLS). Our results suggest that migration has a significant effect on the political preferences of non-migrants in the regions of origin. Along the dimensions we study, emigration acts in the same way as the an increase in the average level of education or a urbanization process - in terms of political participation, electoral preferences and how these are affected by local economic conditions. But this effect does not offset the direct effect (exit) of selective emigration on the electoral mass in the sending community.

Keywords: emigration, self-selection, political preferences

JEL: F22, O15, D72

Email: radu@ios-regensburg.de

Ramello, Giovanni B. (Università del Piemonte Orientale, IEL Collegio Carlo Alberto), Koji Domon, Alessandro Melcarne: Digital Piracy in Asian Countries

Abstract: The impact of several disruptive innovations has weakened the original role of copyright, thus stimulating a wide scholarly literature. A handful of papers have already tried to gain insights on consumer's behavior in western countries, while the issue is still largely neglected in many countries in the rest of the world. This paper takes advantage of a survey data gathered through field research in four Asian countries, that is to say China, Japan, Korea and Vietnam, in order to provide a picture of consumer's behavior. The added value of this work is to highlight how the different national juncture, the idiosyncratic local culture and the specific socio-economic situation determine the necessity of a behavioral investigation in order for truly understanding what

makes copyright valuable and what makes it weak vis-à-vis the contingent situation.

Interesting results emerge from the empirical analysis conducted on the data gathered, suggesting that differences in the institutional settings seem to play a fundamental role both on a "macro" level and on a "behavioral" one. In particular, we are able to conclude that "one size fits all" copyright policy does not work equally even within the same geographical area, since historically related countries can differ significantly. Social norms and psychological effects seem more relevant in determining piracy across all countries, also in the most virtuous, while the gender effect highlighted in the Western countries does not emerge in Asian countries.

Keywords: P2P file-sharing, Unauthorized copying, Copyright

JEL: K42, L62

Email: giovanni.ramello@uniupo.it

Rebecchi, Alessio (University of Perugia), Cristiano Perugini, Mehmet Sedat Ugur: Multidimensional poverty in EU candidate countries

Abstract: In this paper we provide empirical evidence on poverty in six countries of South-Eastern Europe, using a multidimensional index that is able to account for the multi-faceted nature of individuals. Our analysis uses as benchmarks the group of EU-28 member countries. Methodologically, we build our multidimensional poverty index relying on the largely used approach proposed by Alkire-Foster, considering the basic capabilities of individuals on three main dimensions (income, health and education). To these aims, we use data from EU-SILC for the year 2012 for Croatia, Serbia, Greece, Romania and Bulgaria and include in our database Turkey, through the TR-SILC data. Our analysis provides interesting results on the positioning of the six countries with respect to the EU picture and illustrates how the main dimensions and components of poverty differ between countries; the decomposition by gender, age and region of residence provides further interesting insights and relevant information for policy implications.

Keywords: Multidimensional poverty, South-Eastern Europe, SILC data

JEL: I32, P46, O52

Email: alex.rebecchi@gmail.com

Rõigas, Kärt (University of Tartu), Alo Lilles, Urmas Varblane: Comparative view on the EU regions by their potential of university-industry cooperation

Abstract: Higher education institutions play an important role in regional space and contribute to regional economic development by creating a favourable environment supporting knowledge and technology transfer. The aim of our paper is to evaluate the capabilities of European regions to support university-industry cooperation. We combine different datasets and evaluate the potential of European regions to create favourable environment for university-industry cooperation based on twelve indicators of regional innovation system covering the regional research and development- and higher education system, economic structure, unemployment and innovative behaviour of firms. Using exploratory factor analysis four independent dimensions describing the propensity of regions to support university-industry cooperation were found - supporting role of public sector to innovate, supporting role of private sector to innovate, innovation performance of firms and supporting role of the universities to innovate.

In general Sweden, Denmark, Ireland and Germany are offering the best environment for university-industry cooperation, whereas several regions from Spain, Italy, and Portugal and from Poland and Romania have the weakest environment. Sweden, the Netherlands, Denmark, the United Kingdom and Germany have the strongest environment created by the public sector. The supporting role of private sector is strongest in several regions from the United Kingdom, France, Germany and Sweden. Ireland, Germany and Italy clearly differ from the other countries in Europe by having regions with the highest scores in the innovation performance. The supporting role of the universities to innovate is strongest in France, Germany and the United Kingdom and weakest in Italy, Portugal and Spain.

Keywords: University-industry cooperation, innovation, regional space

JEL: O33, O52, R11

Email: kart.roigas@gmail.com

Sass, Magdolna (MTA KRTK, Corvinus University), Zoltán Gál, Bálint Juhász: The impact of foreign direct investments on the host economy: the analysis of selected services industries of Visegrad countries

Abstract: Foreign direct investments are substantial in services in the Visegrad countries. In the article we analyse the impact of FDI in three selected services branches on the host economy in two areas: export and employment. FDI in the three selected services branches differ in terms of their vertical or horizontal nature: in business services FDI is predominantly vertical, in financial services predominantly horizontal, while in ICT-related services both types can be found. We carry out regression analysis on the group of Visegrad countries (Czech Republic, Hungary, Poland and Slovakia) and on individual Visegrad countries for the period 2001-2013 in order to assess the impact of vertical, horizontal and confluent FDI on employment and exports of the host economy. Furthermore, we cut the analysed period into two in order to trace the impact of the crisis on the analysed areas. According to our results, the impact on the host economy differs in the three sectors: positive and significant impact on exports can be found in vertical business services and in confluent ICT-related services and positive and significant impact on employment was found in business services and in financial services. The positive impact either diminished or disappeared during the crisis years. Comparing the four countries the extent and significance of the impact differs, which underlines their different specialisation in the area of services.

Keywords: vertical and horizontal services FDI, impact on the host economy, Visegrad countries

JEL: F21, L8

Email: sass.magdolna@krtk.mta.hu

Sato, Takahiro (Kobe University), Atushi Kato: Violent conflicts and economic performance of the manufacturing sector in India

Abstract: We investigate the effects of violent conflicts on the economic performance of manufacturing sector of Indian regional states. The number of violent conflicts, the number of deaths and the number of participants in violent conflicts all have negative impacts on gross value added and capital labor ratio of manufacturing sector. Among violent

conflicts, ethnic and religious conflicts, as well as those nested in a large conflict have significantly negative impacts.

Keywords: violent conflict, India, manufacturing sector

JEL: D74, K42, O43

Email: takahirodevelop@gmail.com

Schönfelder, Nina (FernUniversität in Hagen): The impact of euro area membership on structural reforms in product market and business regulation

Abstract: This paper investigates whether the membership in the euro area enhances or hampers structural reforms in the regulation of product markets and business environment. It updates the empirical results of the early literature and extends it by applying new indicators for structural reforms. By estimating a dynamic panel data model with system GMM, I find that euro area countries significantly deregulate more than other OECD countries in product markets. However, I do not find any evidence for reforms in the business regulation that would ease doing business.

Keywords: product market regulation, euro area, structural reforms

JEL: F33, F36, L50

Email: nina.schoenfelder@fernuni-hagen.de

Schweickert, Rainer (Kiel Institute for the World Economy, IfW): Clusters of economic systems in developing countries - A macro cluster approach

Abstract: While some papers on economic systems focused on transition countries, Asian countries, and Latin American countries as well as on developing countries only (Pryor 2005), there is, to our knowledge, no quantitative empirical approach looking at the full sample of developed and developing countries.

We try to provide a comprehensive picture by applying a macro cluster approach to a broad sample of developed and developing countries, by accounting for production and welfare aspects (following , e.g., Amable

2003 and Schröder 2013), and by considering performance variables (following, e.g., Kitschelt 2006 and Hall/Gingerich 2009).

Looking at an 8-cluster solution based on standardized variables, i.e. the world as it is, the developing world ranges from a Liberal emerging cluster (distinguished by a still higher level of regulation) on the one end and a low income cluster characterized by a generally very low level of government activity on the other end. However, once income adjusted residual variables are introduced, i.e. the world as it might be, emerging and developing countries to a larger degree mix up with developed countries and groups of emerging and developing countries reveal some overall maximum values:

- Inequality: Central Latin American countries plus Hong Kong and Singapore.
- Government Size: a cluster dominated by African countries.
- Regulation: a small group of resource rich (including Latin American) developing countries with small governments.
- Innovation: a cluster of emerging market economies also characterized by inequality.

Keywords: Economic Systems, Cluster Analysis, Developing Countries

JEL: P51

Email: rainer.schweickert@ifw-kiel.de

Shiraishi, Maho (University of Kitakyushu): Financial intermediation and firm's survival in China

Abstract: This paper empirically investigates how financial intermediation paths contribute to the duration of firms in China. For the purpose, we conduct a survival analysis where firm's exit dummy takes value of one if the firm exit from market and value of zero otherwise. Our main findings are the followings. First, private firms face higher risk of exit from market than state-owned firms when they financially depend on debt such as bank loans and trade credit received. Second, there exists U-shaped relationship between firm's age and risk of exit from; the risk is high for the firms with the age of less than seven years old, is lowest for the firms with the age between eight and fifteen years old, and becomes high again for the firms with the age of more sixteen year old. Third, during the period after 2008, higher profitability and access to

external finance such as short-term bank loans and suppliers' trade credit increase the duration of firms. These observations suggest that closer relations are built between firms and between firm and banks as firm's age becomes old and that China have prepared better- functioning financial system after 2008 than before.

Keywords: Firm's failure, financial system, China

JEL: O53, D22, O16

Email: mshira@kitakyu-u.ac.jp

Signorelli, Marcello (University of Perugia), Chiara Mussida, Dario Sciulli: School dropout and working opportunities in developing countries: A comparative analysis

Abstract: This study contributes to the knowledge regarding the consequences of school dropout in ten developing economies, distinguished in three “macroregions”, focusing on the working perspectives of young individuals aged 15 to 29. In particular, we adopt a simultaneous two equations model for school dropout and working outcomes allowing for correlation between error terms and therefore accounting for endogeneity of school dropout. Our study shows the existence of a negative correlation between errors terms of work and dropout equations; this suggests that confounding factors drive, simultaneously, both dropout and working decisions, but in a reverse way. So, a major finding of this study is that the underlying mechanisms driving the positive impact of school dropout on working perspectives differs across outcomes (unpaid work, self-employment and employment); however, even though confounding factors may affect the probability of being in unpaid work or self-employment, their role is not crucial to determine a positive effect, as demonstrated by the specification not accounting for endogeneity; the positive impact of school dropout is, instead, more explained by the irrelevance of having high educational attainments to access to unpaid work and self-employment. Our results have a number of policy implications.

Keywords: school dropout, working perspectives, endogeneity, developing countries

JEL: J21, I25, J24

Email: marcello.signorelli@unipg.it

Sönmez, Sinan (Atilim University, Ankara University, Faculty of Political Sciences): Alternative economic development experiences and Washington Consensus in the big emerging economies

Abstract: The purpose of this paper is to portray the influence of the Washington Consensus on development experiences and economic policies in China, India and Brazil (BIC), part of the BRICS. The referred economies, in the past and at present, have different strategies, mode of industrialization and development models. The engagement to neoliberal policy principles did not radically reduce the role of the state in the economy. In fact, the Beijing Consensus is the term for the state-led capitalist developmentalism under a socialist regime in China; Mumbai Consensus corresponds to the development experience of India which is characterised by the combination of the neoliberal reforms with government involvement; Brazilian neo-developmentalism combines the neoliberal policy principles with the state intervention. It seems to be difficult even impossible to put all the experiences in a melting pot and to fabricate a unique model or paradigm for the emergent economies and the developing countries. Nevertheless, the market driven reforms and the economic role played by the state in the big emergents offer an opportunity to find a common denominator for the development models or paradigms. The correlation with or deviation from the Washington Consensus would permit to make a final remark on the basic principles of the economic policy and development process and/or models in the BIC.

Keywords: Washington Consensus; Beijing Consensus; Mumbai Consensus

JEL: F63, L60, O57

Email: sinan.sonmez@atilim.edu.tr

Suganuma, Keiko (Nihon University): The strategy of Japanese companies on Russia business: Focusing on human resource management

Abstract: The objective of this paper is to examine international Human Resource Management (HRM) practices in terms of placement of Japa-

nese people belonging to the management class, and the training of local staff, particularly from the context of Japanese-affiliated companies and the labor market in Russia. The investigation discussed in this paper is based on the results of the interview surveys I conducted on Japanese people of the management class in 30 Japanese-affiliated companies (including a local subsidiary and representative office) operating in Russia between May and December 2015.

Although the responses cannot be considered representative of all Japanese-affiliated companies operating in Russia, however, the results are considered that the appointment of local staff to the management class has currently some difficulties in Russia with respect to the existing situation of the Japanese-affiliated companies and labor market in Russia. In other words, it is considered that the difficulties are caused by the necessities to mediate the relationship between parent company and subsidiary, historical background in Russia and so forth. Therefore, it could be stated that selecting personnel to the management class and human resource development are both very important.

Keywords: Russia, Japanese-affiliated companies, Human Resource Management

JEL: F21, F23, M50

Email: suganuma.keiko@nihon-u.ac.jp

Szijártó, Norbert (Institute of World Economics of the Centre for Economic and Regional Studies of the Hungarian Academy of Sciences, Corvinus University of Budapest and National University of Public Service): Three periphery regions of the European Union and the optimum currency area theory

Abstract: This paper focuses on three regions of the European Union: the Iberian countries (Portugal and Spain), the Visegrad countries (Czech Republic, Hungary, Poland and Slovakia) and the Baltic countries (Estonia, Latvia and Lithuania). A common feature is that these regions are situated on the periphery of the European Union (EU), however, the Iberian countries, Baltic countries and Slovakia have already introduced the euro, and the three remaining Visegrad countries are reluctant to join the monetary union. The paper's fundamental aim is to investigate whether these nine EU member states form an optimum currency area

(OCA) with the core euro zone. We survey theoretical issues from the classical contributions to the OCA theory to the modern endogenous and exogenous view. The OCA theory does not have a single operational framework but we can apply indices related to OCA properties in order to compare and evaluate the nine countries stance contrast to core countries. Moreover, with static and dynamic methodology we can answer the question whether the use of single currency have brought those countries closer to the core euro zone in terms of OCA properties. Early results suggest that Visegrad countries are closer to core countries than periphery members of the euro zone, if we take into consideration trade integration, economic structures and openness.

Keywords: optimum currency area theory, Economic and Monetary Union, core-periphery dichotomy

JEL: F15, F33, F45

Email: norbertszijarto@gmail.com

Talavera, Olexandr (The University of Sheffield), Nourhan Eid, Josephine Maltby: Income rounding and loan performance in peer-to-peer market

Abstract: This paper uses a unique dataset from Lending Club, the largest online lender in the U.S to analyze the consequences of income rounding in terms of loans performance. We find that rounding tend to have negative effect on loans outcome. Borrowers with rounding tendency are more likely to default and less likely to prepay compared to borrowers with more accurate income reporting. Furthermore, investors are not compensated for the extra risk associated with rounding. Borrowers who misreport income by means of rounding have lower interest rate, larger loans and longer maturity. These results are consistent across various specifications and sub-samples.

Keywords: Peer-to-Peer lending, Rounding, Misreporting

JEL: D03, D12, G20

Email: oleksandr.talavera@gmail.com

Uvalic, Milica (University of Perugia), Jan Svejnar: Are the Western Balkans catching up after a lost decade?

Abstract: The 1990s have been a decade of high political and economic instability in the Western Balkan region, that has delayed more radical transition-related reforms and integration with the European Union. Not surprisingly, the 1990s in this region have often been referred in the transition literature as "the lost decade". After the highly unfavorable political and economic conditions in the Western Balkans throughout the 1990s, the 2000s brought many positive developments. Until the strong impact of the global economic crisis, the Western Balkan countries registered high growth rates, declining inflation, rapid expansion of foreign trade and increasing Foreign Direct Investment (FDI). A number of important economic reforms related to the transition to market economy have also been implemented successfully. These reforms were sustained by the EU Stabilization and Association Process (SAP), which has greatly contributed to fast economic integration of the Western Balkans with the EU economy through increasing trade, FDI, banking and financial integration. However, these positive trends have been interrupted by the global economic crisis which severely hit the Western Balkan countries from late 2008 onwards. The ongoing economic crisis has brought reversals in economic recovery of most Western Balkan countries. Within such a background, in this paper we examine the nature of the problem of economic growth and catching up of the Western Balkan countries with the more developed parts of Europe. We will first recall why the region has been growing slowly over the last 25 years; next, we look into the speed of convergence of the Western Balkan countries relative to the EU, based on some standard indicators, following Sabirianova, Svejnar and Terrell (2011) and Svejnar and Semerak (2014); and provide a discussion of the options for resuming long-term sustainable economic growth and convergence to the EU.

Keywords: Transition, Western Balkans, Development, Convergence, Growth

JEL: P2, F6, O1

Email: milica.uvalic@unipg.it

van der Velde, Lucas (University of Warsaw, GRAPE): Phasing out of the labor market: routine jobs and retirement patterns

Abstract: The literature on the task content of occupations provides a good basis to analyze the demand and supply of tasks and changes in wage inequality. Yet, little is known about the relation between the task content of occupation and other relevant economic behaviour, in particular retirement decisions. Autor and Dorn (2009) show that older workers tend to perform more routine cognitive tasks, namely those whose relative demand is in decline. Similar conclusions arise from the analysis of Central and Eastern European labour markets conducted by Lewandowski et al (2016). In this paper, we take this analysis one step forward and analyze how the task content relates to the retirement decision. We test two hypotheses. The first hypothesis states that workers in more routine intensive jobs are more likely to retire sooner. This hypothesis is connected the shortage in demand for those tasks and the difficulties in learning new skills. Second, workers that moved recently to a more routine intensive job are more likely to retire than those who performed that job for a longer period. This hypothesis corresponds to the idea that jobs with more routine tasks are a "waiting" stone towards retirement.

Keywords: task content, retirement, panel data

JEL: J23, J24, J26

Email: lucasvandervelde@gmail.com

Venturini, Francesco (University of Perugia): A Schumpeterian perspective on Piketty's laws of capitalism

Abstract: We derive a Schumpeterian version of Piketty's second law of capitalism which relates the dynamics of the wealth-to-income ratio to those of endogenous innovation, starting from the seminal contribution by Grossman and Helpman (1991b). Our model predicts that the wealth-to-income ratio is negatively affected by the rate of economic growth and positively by the shares of national income spent on R&D activities and capital investment.

We assess empirically the theoretical predictions of the model through a long-run (historical) investigation covering the period 1870-2013 for 18 OECD countries. Specifically, we estimate a stochastic version of the equation for the wealth-to-income ratio, applying a novel regression technique, namely the Cross-Sectionally Augmented Distributed Lags

(CS-DL) estimator (Chudik et al., 2016). This approach is based on a dynamic representation which provides consistent estimates for the long-run parameters and is robust along a number of important dimensions (namely, misspecification of dynamics, error serial correlation, cross-sectional dependence, etc.). Our evidence indicates that the wealth-to-income ratio is raised by R&D-based innovation activities (namely R&D investment over GDP) that do not translate into higher rates of economic growth. Increases in the rate of GDP growth reduce wealth inequality.

Keywords: Wealth inequality; Economic growth; Innovation

JEL: E21, E22, O47

Email: francesco.venturini@unipg.it

Vernikov, Andrei (Institute of Economics - Russian Academy of Sciences, National Research University Higher School of Economics), Mikhail Mamonov: Long-term bank lending: Who does a better job in Russia?

Abstract: Our key objective is to check the effect of bank ownership on productive lending to the real economy. In a bank-based financial system like Russia's, it does matter for economic growth whether banks issue loans for longer term and productive purposes. We test the hypothesis that state-controlled banks have higher propensity to lend long-term to the real economy than domestic private banks and foreign banks, due to government interference in lending decisions. For the empirical testing the authors employ an exhaustive dataset of bank-level statistics for 2005Q1 - 2013Q4. We find, predictably, that public banks had on average a 9% higher share of long-term loans than private banks. Large public banks make a disproportionately high contribution to long-term lending in Russia, thus confirming the 'helping hand' theory of government banking. The contribution of domestic private banks to long-term lending has been largely inadequate. We also find, counter-intuitively, that long-term lending is insensitive to business cycle stage in Russia. Longer-term lending to non-financial firms benefited from banks' lower price of funds, greater market power, bigger size, higher capital buffer, less risky lending strategy, and a diversified funding structure. Policy implications: (a) an eventual privatization of the core state banks would choke the inflow of investment resources to non-financial

companies; (b) a state divestment from non-core commercial banks and concentration of public funds at core banks might make sense. Our research aims to contribute to the understanding of finance-growth nexus and the political economy of bank lending.

Keywords: finance-growth nexus; banks; Russia

JEL: G21, G28, P23

Email: verand77777@gmail.com

Vujacic, Ivan (University of Belgrade), Jelica Petrovic-Vujacic, Svetozar Tanaskovic, Marko Miljkovic: Yugoslavia - Where it was, where it went

Abstract: The break up of Yugoslavia made the successor states late-comers to transition with different starting points depending when the conflict in each former republic ended. Nevertheless, enough time has passed to assess the development potential of these states. Yugoslavia in the 1950's and 1960's had high growth and exhibited rapid development. It also somewhat mitigated the differences in levels of development among the republics. It did, however, encounter difficulties associated with its development model in the early 1980's. The authors will make a short assessment of economic development in the former Yugoslavia. After that, the analysis will concentrate on the developments since the break up in terms of differences among the former republics. These will be evaluated in terms of GDP growth and other development indicators. The analysis will also look at the convergence of these states to the EU average as they are all on the path to EU accession. The authors will focus on the period up to the crisis of 2008 and the period following it. It will also look at the performance of these states comparatively with states that did not belong to the former Yugoslavia, but could provide for a legitimate comparison (ex. Serbia and Bulgaria, etc.). The analysis will also focus on how the countries have managed to cope with the economic downturn since 2008 i.e. assessing vulnerability. Macroeconomic performance indicators will be analyzed. Finally, the constraints to future economic and social development will be highlighted.

Keywords: Yugoslavia, Economic Development, Transition

JEL: O10, O57 P29

Email: ivujacic@ekof.bg.ac.rs

Webster, Allan (Bournemouth University): An empirical analysis of the gender pay gap in the United States

Abstract: This study examines the gender wage gap between male and female workers in the US. Despite an extensive literature on the subject it remains difficult to accurately assess whether women are paid less than men for the same work. This difficulty, long recognized in the literature, arises from differences in male and female employment. This study, like several others, finds gender segregation by industry and by occupation to be of particular importance in this respect. This study uses a matching estimator to provide a stronger and more accurate comparison between male and female workers. Despite this doubts remain about even a matching estimator when applied to the full sample, mainly from the high degree of gender segregation at work. To secure even better precision we repeat the matching analysis for three industries, each carefully selected for employing similar numbers of men and women. Our results suggest that the finding of a statistically significant gender pay gap is consistent throughout. That is, no matter how far one tries to control for a wide range of influences (such as industry, occupation, region, education etc.) the finding that women are simply paid less than men for comparable employment is persistent.

Keywords: gender pay gap

JEL: J16, J31

Email: awebster@bournemouth.ac.uk

Webster, Allan (Bournemouth University): Inward FDI and innovation in transitional countries

Abstract: This study empirically examines the relationship between innovation and foreign ownership for a large sample of firms in 29 transitional countries, taken from the 2013 BEEPS survey. The analysis is based on two different aspects of FDI theory – technology transfer and strategic asset seeking (with respect to R&D). It finds that firms who innovate with respect to new products, new processes and new management techniques have, on balance, more foreign ownership than those who do not. The evidence supports a view that strategic asset

seeking is associated with inward FDI. It also supports the view that technology transfer is also an important feature of the relationship between innovation and FDI in transitional countries. Of the two effects the technology transfer effect is of more consequence than the strategic asset seeking effect.

Keywords: FDI, innovation, transition, firm, technology transfer, strategic asset seeking

JEL: F23, O30, P20

Email: awebster@bournemouth.ac.uk

Yakovlev, Andrei (National Research University Higher School of Economics Moscow), Andrey Tkachenko, Alexandra Kuznetsova: Repeated contracts in public procurement and opportunities to identify corrupt and honest behavior of economic agents

Abstract: In this paper we show how analysis of repeated contracts in public procurement of simple homogeneous good can help to differentiate between opportunistic and honest behavior of economic agents. We assume that honest agents will benefit from repeated procurements due to lower uncertainty and decrease in transaction costs. Therefore prices of repeated procurements between honest agents should be lower comparing to one-time deals. On the contrary opportunistic agents will seek for personal gain from repeated contracts (in the form of kick-backs paid by suppliers to corrupted procurement officers) and this strategy will lead to higher prices of relevant deals. Additionally, we assumed that state ownership of suppliers can intensify these effects providing one more channel for interactions between honest agents in the first case and opportunistic agents in the second case.

For empirical testing of these hypotheses we use large data set on procurement of granulated sugar in Russia in 2011-2013. Taking into account the peculiarities of national procurement regulation we analyze main procurement procedures - including e-auctions, requests for quotations and single-sourcing. Normalized contract price is used as dependent variable and dummies for repeated contracts and SOE status of suppliers as main explanatory variables.

The analysis shows that prices were lower in repeated procurements of sugar through more transparent and competitive e-auctions and higher

in repeated procurements through less competitive requests for quotations. At the same time, our hypotheses regarding the effects of state-owned companies' participation in public procurements are confirmed only partially. Repeated contracts with SOEs after less competitive and non-transparent procurement procedures (requests for quotations and single-sourcing) lead to significant price increases. Whereas no significant differences are observed in the prices of contracts with private suppliers and SOEs concluded through e-auctions.

Keywords: public procurement, corruption, state-owned enterprises, transparency

JEL: H57, L14

Email: ayakovlev@hse.ru

Yakovlev, Andrei (National Research University Higher School of Economics Moscow), Irina Levina, Gregory Kisunko, Israel Marques: Uncertainty as a factor in investment decisions: The case of Russia's regions

Abstract: This paper argues that while the bulk of literature tends to focus on regulatory uncertainty stemming from formal practices, uncertainty that comes from unpredictable informal practices surrounding regulation is an underexplored additional form of regulatory. The paper uses results of empirical analysis of several unique firm-level datasets to argue that firms in Russian institutional environments adapt to informal practices of business-government interactions, so long as these practices are predictable. The paper draws a distinction between differences in levels of well-ordered and predictable corruption, which may be seen as a part of the cost of doing business, and differences in region-specific variation of experiences with decentralized and unconstrained corruption. It argues that a significant obstacle to investment decisions at regional level is not so much formal or informal rules per se, but lack of predictability of their application. It also examines in-country inconsistency in property rights enforcement as another source of regulatory uncertainty tied to informal practice. It argues that by selectively enforcing property right and not only allowing some to make use of extra-legal strategies to strip others of property, but also participating in these activities, the state creates uncertainty about how and when fundamental protections will be enforced and therefore depresses investment.

Keywords: Investment at firm level, regulatory burden, regulatory uncertainty, imperfect institutions

JEL: D81, K42, O17

Email: ayakovlev@hse.ru

Yano, Go (Kyoto University), Maho Shiraishi: Finance, institutions and innovation activities in China

Abstract: We model public procurement as a game between a bureaucrat, a procurer and a supplier. The timing of the game has the following form: 1. The hierarchical relationship between the bureaucrat and the procurer is established (a monitoring cost is undertaken by the bureaucrat), 2. The procurer introduces an auction that allows him to select the supplier, and 3. The supplier implements the contract. We identify three equilibrium solutions to the static version of this model. The first equilibrium occurs, when the bureaucrat formally regulates the procurer's activity, but there is no monitoring and enforcement mechanism. Under this non-monitoring regulatory regime, the procurer selects the supplier by himself. We assume that the conclusion of contracts between the procurer and the supplier is a matching process, whose level of efficiency is defined by the ability of the procurer to conclude a contract with a supplier of his own type. However, absence of monitoring (with no sanctions for corruption) causes the increase of opportunism in procurers' behavior.

Keywords: finance; institutions; innovation activities in China

JEL: O16, O31, P34

Email: rswtj922@yahoo.co.jp

Zhang, Mao (University of Sheffield), Oleksandr Talavera, Shuxing Yin: Managing diversity: board age diversity, directors' personal values, and bank performance

Abstract: This negative shift in procurer's incentives leads to underproduction of public goods. Then the bureaucrat starts facing political pressure and therefore monitors the procurer's compliance. He imposes monitoring on the observable elements of the procurement process

(tendering or placement of orders). As result both the procurer and the supplier face partial monitoring and rigid procurement rules. In the new partial monitoring regime, a corrupt-type procurer is limited in the selection of his supplier. The same holds also for an honest-type procurer with respect to rejection of bids offered by opportunistic suppliers. When there is broad corruption at the point of introduction of partial monitoring regime, honest suppliers initially can get broader access to public procurement. However, contract execution (as a more complicated stage of procurement process) is not observable by the bureaucrat under partial monitoring regime, and therefore the positive effect of regulation is limited. A corrupt procurer can ask a bribe from an honest supplier (using payments delays and providing additional requirements to supplier). At the same time, an honest procurer is limited in his ability to put pressure on opportunistic supplier. As a result, an increase in the provision of public goods is temporary (short-run), and it declines again in long-run. This is why the bureaucrat facing political pressure may want to move to more comprehensive extended monitoring and more flexible regulation.

Keywords: board of directors, age diversity, bank performance

JEL: G21, G30, J10

Email: mzhang32@sheffield.ac.uk

Contributions to Organized Panels

Akindinova, Natalia (Development Center, National Research University - Higher School of Economics, Moscow): Political constraints for economic development: the case of Russia

Abstract: Comparing to other CEE transition economies during global financial crisis Russia experienced extremely high decline of GDP (about 8% in 2009) but could keep and even increased leaving standards. However contrary to East-European countries already in 2013 Russia faced new economic slowdown and came into new recession in 2014-2015 after acceleration of geopolitical tensions with West in framework of Ukrainian crisis. In this paper we will show the reasons for economic

slowdown in 2013 including key features of Russian model of economic development in 2000s, its crash during 2008-2009 global financial crisis and failed attempts to change the model in 2009-2011. Political response to the crisis 2008-2009 included huge increase in social spending as the tool to keep social and political stability. As a result half of reserves were spent in 2009. Those decisions caused the radical decline in the volume of rent available for redistribution and tightened budget constraints for ruling elite. However the ruling elite still tried to keep social obligations along with the other huge spending programs, such as a new large defense program, started in 2011. In our opinion political survival incentives clearly started to dominate economic efficiency arguments in policy making already since 2012 - as response to 'Arab spring' and mass protests in Moscow in December 2011. For example, Mr. Putin's pre-election program kicked the new increase in social obligations, which caused a budget deficit at regional level. This turn in priorities of country leadership as well as lack of 'vision of future' provides extremely negative influence on incentives and behavior of economic agents (including decline of investment and capital flight). Taking into account these political constraints we will discuss key drivers, main risks and overall prospects of economic development in Russia in next future.

Keywords: economic crisis, model of economic development, political constraints for economic reforms, Russia

JEL: E61, P26, P35

Email: nakindinova@hse.ru

Ambroziak, Adam (Warsaw School of Economics): Modern industrial policy and servitization process within the Internal Market of the EU

Abstract: The Internal Market of the European Union was primarily established and based on free movement of goods. After the elimination of physical, technical and fiscal barriers, the Commission observed many national administrative obstacles in free movement of services, which should be eliminated on the basis of the service directive of 2006. Recently, following the period of fascination with services, we have been hearing more and more often about the need of reindustrialization in the European Union. As a result of economic crisis, instead of introducing modern solutions that would facilitate the

functioning of the EU internal market we witnessed reinforced protectionist and interventionist tendencies.

The new Commission seems to be doing away with this approach by stressing the need to take a comprehensive approach to the internal market of goods and services and to link them into an integrated product market with business-friendly rights and obligations. Therefore we will base our research on the analysis of production within the framework of the EU industrial policy and trade in goods and services in the EU internal market. The aim of the paper is to verify if we experience the servitization of economic activities in the EU at the cost of the manufacturing and trade in goods.

Keywords: EU industrial policy, EU Internal Market, servitization

JEL: L50, L60, L88

Email: adam.ambroziak@wp.pl

Andreff, Wladimir (University of Paris 1 Panthéon Sorbonne): Outward foreign direct investment from new wave emerging economies: A shift of newly emerging multinational companies

Abstract: Some economists contend that, beyond the BRICs, a number of new candidates are muddling through the crisis to reach the emerging country group", including as home countries for outward foreign direct investment (OFDI).

The paper attempts to identify a relevant and homogeneous sample of such new wave emerging economies (NWEs) in a first part, then to present a tentative study of their OFDI during the past recent years (second part).

A first way to sampling NWEs consists in selecting the first 100 home countries according to their OFDI stock in 2014 and then scaling down the sample on economic criteria (skipping out developed market economies, transition economies, etc.). Another way is to compare NWEs, relying on eight economic criteria, to other country groupings, namely the BRICs. Both ways converge towards a 14 country sample: Malaysia, Mexico, Chile, Thailand, Colombia, Turkey, Argentina, Philippines, Indonesia, Nigeria, Vietnam, Egypt, Iran, and Pakistan when ranked by OFDI stock. Some statistical testing shows that the NWE group is more homogeneous than other country groups, namely the

BRICS, despite some similarities with the latter as regards their OFDI development.

A preliminary study focuses on identifying when OFDI started up from each of the 14 NWEs, which are currently their major multinational companies as well as the geographical and industrial distribution of their OFDI, and compares NWEs' OFDI to BRICS' OFDI.

Keywords: outward foreign direct investment, multinational (transnational) corporations, emerging economies

JEL: F23, O57, F21

Email: andreff@club-internet.fr

Filippo Belloc (University "G. d'Annunzio" Pescara): What does deter labor-controlled firm creation? Evidence from Italian manufacturing sectors

Abstract: n.a.

Keywords:

JEL:

Email: f.belloc@unich.it

Bruno, Randolph Luca (UCL, SSEES, IZA, Fondazione Rodolfo De Benedetti), Douarin, J. Korosteleva, S. Radosevic: Determinants of productivity gap in the EU: A multilevel perspective

Abstract: In the last four decades Total Factor Productivity (TFP) and labour productivity growth have reportedly slowed down globally generating much cause for concerns. Indeed, data from the Conference Board (2015) show that global TFP growth has recently fallen to around zero, after averaging at 1 percent between 1999 and 2006 and at 0.5 percent between 2007 and 2012. This trend is strongly felt in the European Union (EU), where the harmful effects of slow growth and productivity slowdown on economic and social cohesion have been extensively discussed since 2008, and where the slow down itself may have started as early as the mid-1990s - see for example van Ark, O'Mahony, and Timmer (2008) on the increasing productivity-lag between the EU and the US.

Slow productivity growth in the EU has been accompanied by another phenomenon. In this region an additional concern has been that from 2004, and even more strongly from 2008, increasing divergence in labour productivity has been observed (Filippetti and Peyrache, 2013). The EU which was once described by the World Bank as a 'convergence machine' (Gill & Raiser 2012) ceased to converge. While the Eurozone crisis led to massive job losses in manufacturing in the EU periphery, especially in the South, even well before 2008 traditional labour intensive industries in Spain and Italy languished (Timmer et al. 2010). Today some New Member states, especially Visegrad-5, have joined the German-Austrian manufacturing core, while the South of the EU has become a very stagnant region that is de-industrializing at an accelerated pace. Overall, pre- and post-2008, one can see a strong differentiation amongst high and medium-income EU economies (Landesmann et al, 2015).

Against this backdrop, this paper attempts to shed some light into the process of technological catch-up, or lack thereof, within the EU region, more specifically we aim to identify the determinants of catching up accounting for firm, sector and country level characteristics. Similar to McMorroo et al (2010) the paper adopts a "Schumpeterian" approach to growth (e.g., Acemoglu et al, 2006; Aghion and Howitt, 2006) to analyse productivity determinants. Accordingly, productivity is posited to depend on the rate of innovation and/or imitation i.e. on the rate at which frontier technologies are being developed and applied in economies that are "technology leaders" and on the rate at which these technologies are diffused through the economy and to catching-up economies. So, a country's or firm's progress differs according to how far it is from the frontier. In theory, countries or firms behind the frontier should grow faster and catch up to the global technological frontier because they benefit from knowledge spillovers from those on the frontier. Firms or countries behind the frontier can imitate technological activities, whereas those at the frontier must continually innovate to stay in that position. Moreover, policies and institutions that favour imitation are not the same as those that favour leading - edge innovation (Aghion, Harmgart & Weisshaar, 2011). So, the Schumpeterian approach explicitly considers the role of institutional setup on technology accumulation and diffusion. For example, barriers to entry are much more important in new technologies where 'creative destruction' dominates when compared to established technologies.

The examples of the Schumpeterian framework in exploring the determinants of TFP at country level are Griffith et al. (2004), Nicoletti & Scarpetta (2003), and at a sectoral level - McMorro et al (2010).

The approach at a macro level is grounded in the 'technology gap' literature which postulates that technology and technical knowledge are difficult and costly to transfer (Fagerberg, 1994). TFP growth for developing countries that are relatively close to the frontier is likely to be significantly boosted by technological diffusion from the frontier countries (Savvides and Zachariadis, 2005). On the other hand, the ability of a country to catch up is a function of its absorptive capacity and its innovative capability (Castellacci, 2011).

A key novelty of our approach is that we explore the determinants of productivity in a multi-level framework by combining firm, industry and country-level factors. This is an important departure from the literature, where determinants of productivity have been explored at a country level and to a much lesser extent at a sectoral or micro-level and where most past papers only establish statistical associations and provide no causal direction. We aim instead to ground our analysis in the framework of the Schumpeterian growth theory. Accordingly we assume that the technology gap or the distance between the TFP of the leading sector country and country analysed indicate the extent to which a country can grow based on imitation or adoption of the more efficient technology. In addition, we control for several firm and country level institutional factors. In a unique example of a multilevel study of international TFP catch-up, Jung and Lee (2010) show that international catch up (Korea vis-à-vis Japan) is more likely to occur in sectors where technologies are more explicit (e.g. electronics) and more easily embodied in imported machinery and equipment than in sectors with more tacit knowledge regime (e.g. automotive). They also find that the absolute majority of productivity gap is due to the industry level catch up whereas the firm level catch up is minimal. However, from the perspective of our paper research on both Korea and the EU has shown that firm-level variables are important in explaining intra-national catch up and that firm level analysis needs to complement an industry-level analysis. It is here where we see the novelty of the paper. To the best of our knowledge we are not aware of any work that attempts to integrate all three levels of analysis or determinants into one framework.

We define technology frontier as the best EU sector in terms of TFP during the 2004-13 period for which we have available data. We are interested in the determinants of TFP catching up to country industry (sector) level and to the EU industry level technology frontier i.e. the best EU sector in terms of TFP. Our dataset is largely based on firm-level data. Given a very large size of our data set we are able to aggregate firm level data and account for industry level data too. Our level of disaggregation is a 4-digit level which is quite detailed and which guarantees that industries at that level are quite homogenous entities in terms of technology features. Calculating TFP at such disaggregated level allows us to also address some criticism of TFP (see, for example, Felipe and McCombie, 2014). However, we also employ further robustness checks of our results using labour productivity as an alternative measure.

By focusing on four manufacturing sectors at different level of technological sophistication - Food (NACE 10, representing a low technology industry); Basic Metal (NACE 25, representing a medium-low technology industry); Chemicals (NACE 20, representing a medium-high technology industry); and finally Computing (NACE 26, representing a high technology industry) - our empirical strategy is composed of three steps. Firstly, we follow Foster, Haltiwanger and Syverson (2008) and we estimate TFP as the residual from a 4-digit Cobb-Douglas equation at the EU level on the 2004-2013 time span. Following Jung Lee (2010) we then compute an average EU industry level frontier for the same period by looking at the best performing country in a specific sector. This allows us to gauge a dual technology catching up measure: on the one hand we identify the catching up component between a single firm and the average sector in a country; on the other hand, we measure how far the very same firm is from the EU industry level frontier. Finally, in the third step we chase the determinants of these two gaps via looking at firms, industry and country factors in a multilevel framework, the advantage of which is allowing micro-, meso- and macro-levels to be modelled simultaneously, addressing the clustering effect (e.g. see G Van Oort et. Al, 2012; Goedhuys and Srholec, 2015).

Initial findings indicate that the bulk of the gap is found in the firm TFP distance from the EU technology more than from the sector average in a country for a specific year and this is confirmed by a regression analysis on pure country, sectors and years dummies: all three set of

dummies show a remarkable statistical significance but countries dummies are way above the other two sets in terms of economic magnitude. We intend to further explore these results by examining variance partition coefficients in the context of multilevel modelling.

Our preliminary conclusions are threefold: there are both convergence and divergence effects in Europe depending on the sector when looking at detailed productivity estimations at firm level within strictly defined sectors; a multilevel analysis is needed to investigate these patterns for a comparison with a single-level more aggregated data, where our preliminary explorations point towards an indication of the major role in countries differences (i.e. middle income trap argument) as well as a substantial sectoral heterogeneity even at 4-digits level; we posit that the role of technology level and embedded technology (e.g. R&D content) is key to understand these patterns.

Keywords: Productivity, Multilevel, Europe

JEL: L25, O33, C67

Email: randolph.bruno@ucl.ac.uk

Gabriel Burdin (Leeds University Business School, IZA and Universidad de la Republica, Uruguay), Virginie Pérotin: Employee representation and working time flexibility: identification through a size-contingent EU Directive

Abstract: n.a.

Keywords:

JEL:

Email: g.burdin@lubs.leeds.ac.uk

Dachille, Guiseppe (University of Rome Tor Vergata, UCW), Furio Camillo Rosati: Pathways from school to work in rural areas of the developing world

Abstract: n.a.

Keywords:

JEL:

Email: f.rosati@economia.uniroma2.it

Danzer, Alexander (Catholic University of Eichstätt-Ingolstadt), Robert Grundke: Coerced labor in the cotton sector: How global commodity prices (don't) transmit to the poor - Evidence from Tajikistan

Abstract: This paper investigates the economic fortunes of coerced vs. free workers in a global supply chain. To identify the differential treatment of otherwise similar workers we resort to a unique exogenous labor demand shock that affects wages in voluntary and involuntary labor relations differently. We identify the wage pass-through by capitalizing on Tajikistan's geographic variation in the suitability for cotton production combined with a surge in the world market price of cotton in 2010/11 in two types of firms: randomly privatized small farms and not yet privatized parastatal farms, the latter of which command political capital to coerce workers. The expansion in land attributed to cotton production led to increases in labor demand and wages for cotton pickers; however, the price hike benefits only workers on entrepreneurial private farms, whereas coerced workers of parastatal enterprises miss out. The results provide evidence for the political economy of labor coercion and for the dependence of the economic lives of many poor on the competitive structure of local labor markets.

Keywords: coerced labor, export price, price pass-through, cotton

JEL: J47, J43, F16

Email: alexander.danzer@ku.de

Dziembala, Malgorzata (University of Economics in Katowice): Some considerations on the role of the state in promoting innovation in the post-crisis perspective: the example of Poland

Abstract: Nowadays in the Central and Eastern European (CEE) countries certain measures are implemented to lift innovativeness. The financial outlays on research and innovation have been increasing. The role of enterprises in innovation promotion is not disputable. Innovation enhancing state support has become especially important after the crisis. Aiming long term growth and stability, the state in the CEE countries should reformulate the innovation policy and special

attention should be paid to market creation for innovation, facilitating cooperation with the private sector and to other measures.

The paper discusses the role of state in creating the conditions for developing innovations by enterprises, basing on the review of existing literature. The concept of the innovative state is developed and broadly discussed. One important question raised in this context is how to support the innovativeness of enterprises without distorting the market? The paper analyses the role of the Polish state in promoting innovation in general and also on the regional level. We argue that the role of state in supporting innovation should be reformulated in Poland. The paper considers the experience of other countries that could be useful particularly from the EU and the US.

Keywords: Innovation policy, Poland

JEL: F00, O30, O31

Email: malgorzata.dziembala@ue.katowice.pl

Éltető, Andrea (Institute of World Economics, CERS, Hungarian Academy of Sciences), Katalin Antalóczy: Post-crisis foreign trade policies on the periphery of the European Union - comparison of the Iberian, Baltic and Central European region

Abstract: The year of the great trade collapse in the world was 2009. The international crisis caused a shrinkage of domestic demand and general credit crunch. As a consequence, the growth-enhancing role of exports came into focus in most countries. Exports gained momentum from 2010 but with certain changes in structure and direction. Trade within global value chains has become more pronounced and non-EU markets were targeted by several firms.

In certain countries it became a deliberate state policy to turn towards non-EU areas. On the one hand, our paper will describe government foreign trade strategies and institutional framework of the Iberian, Baltic and Central European countries, detecting possible similarities. On the other hand we will analyse the actual foreign trade data in the recent years; what are the main export products and services. Apart from desk research, our methodology consists of detailed trade data analysis from the Eurostat Comext database and service trade database. Based on these we can get a picture on the structure and

direction of exports of the peripheric economies and this can be compared to the aims of the given states.

Our preliminary hypothesis is that there is a gap between the reality and the intentions of the states. The size of this gap varies and is influenced by certain factors like the different involvement of multinational companies in the foreign trade or the different economic structure of these countries.

Keywords: Export, Trade policy

JEL: F13, P52, F14

Email: elteto.andrea@krtk.mta.hu

Falk, Martin (WIFO): Productivity, broadband usage and technological innovations: Firm-level evidence for 9 European Countries

Abstract: This paper investigates the link between productivity, broadband usage and technological and organisational innovations. The data is based on linked firm level data based on the structural business statistics, community innovation survey and the ICT/-E-commerce survey for the period 2001-2010. Using 110,000 firm level observations we find the productivity is significantly related to broadband connected employees and to a lesser extent with product innovations. In contrast, process, marketing and organisational innovations are not significant in the majority of cases. However, the strength of the relationships varies across countries and industries.

Keywords: Broadband usage, technological innovations, productivity

JEL: C81, D22 and O33

Email: Martin.Falk@wifo.ac.at

Gál, Zoltán (HAS Research Centre for Economic and Regional Studies Hungary): The limits to local embeddedness - Lending activity of the cooperative banking sector - the case of CEE and Hungary

Abstract: Traditional cooperative banks are considered as locally/socially embedded, lending to local clients from locally collected deposits. To offset their disadvantage due to their insufficient size, they exploit the information advantage deriving from their social ties and

proximity to their clients. The study explores the limits of local-social embeddedness by examining Hungarian cooperative banks. Cooperative banks, located in the periphery with insufficient socio-economic conditions to develop closer relationships with borrowers accelerate capital flight from their regions. Commercial cooperatives entering new markets show higher lending activity but have more non-performing loans due to the lost information advantage. Demutualised ex-cooperatives have better loan portfolios replacing embeddedness with a new corporate governance form. The limits of cooperatives' corporate governance intensify when loosing social embeddedness.

Keywords: Cooperative banking, local and social embeddedness, demutualisation, Hungary

JEL: G21, P13, R12

Email: galz@rkk.hu

Gärtner, Stefan (Institut Arbeit und Technik): Financial systems as part of the German model: A comparison of company financing from a spatial perspective in Spain and Germany

Abstract: Despite recent initiatives to create a common European market and to integrate diverse national banking systems, the European financial system remains spatially complex and uneven, in particular with respect to the degree of geographical concentration. One key characteristic of the German banking system is the major role the decentralized public and cooperative banks play. While these banks are organized in savings or cooperative bank associations, each of the approximately 1,500 banks is regionally independent. Decentralized banks (savings banks and cooperative banks) handed out 526 billion euro in credit to the German economy (firms and self-employed) in 2013 and claimed a market share of 45.1%. In the same year centralized banks handed out only credits of 415 billion euro, which represents a market share of 35.6%.

In a research project we are going to compare different European economies and their financial systems from a spatial point of view. In the presentation I will compare the result from Germany and Spain to enable a process of learning from each other.

Keywords:

JEL:

Gavrilencov, Evgeny (Sberbank-CIB): The metamorphosis of the monetary policy and Russia's economic growth

Abstract: Russia's economic growth slowed in 2013 to slightly above 1% amid a very favorable economic environment, which means that apart from external shock which came in 2014-2015 something else is to be blamed for a poor economic performance in recent years. As institutional environment has not deteriorated much (Russia has even moved up according to various rankings) it is the macroeconomic policy what needs to be analyzed thoroughly in this regard. By attempting to imitate quantitative easing practices of the western central banks the Russian Central bank since mid-2013 orchestrated policy of massive "expensive easing" (as the policy rates remained far above zero) which became a fertile soil for speculation against the ruble. Ruble's overshooting to the downside in December 2014 was a product of such policy. A peculiar mix of a generous but expensive easing produced a number of other distortions, such as excessive volatility of the ruble in 2014-2015, high inflation, etc. Economic growth evaporated in such an environment. The CBR reverted its policy and turned to quantitative tightening in 2015, however still kept policy rates at elevated levels. As a result it lost control over the money markets as the Ministry of Finance became the major supplier of liquidity as amid high rates it preferred to finance the budget deficit from the Reserve fund (partially sold to the CBR). The latter meant another form of easing. Not the fall of the oil price alone but swings in the monetary policy can be blamed for Russia's poor economic performance. If policy is improved, the economy can easily grow in the low oil price environment.

Keywords: monetary policy, quantitative easing, economic growth

JEL: E44, E52, E58

Email: Evgeny_Gavrilencov@sberbank-cib.ru

Götz, Marta (Vistula University, Department of Business and International Relations): Competitiveness in the EU in the aftermath of the 2008 crisis

Abstract: Competitiveness has become a buzzword for at least the last decades. It is as much fashionable as misused or misunderstood concept. Worshipped by some as remedy for all economic troubles, criticised harshly by others as meaningless and inappropriate category. The competitiveness of nations or regions is an amorphous category, though, it is used persistently by politicians, economists, media and seems inevitable in economic analysis or policy advice. The presentation investigates the renewed interest in competitiveness which can be witnessed in the EU once the acute phase of 2008 crisis abated. This revival is expressed in several initiatives such as the idea to set up national competitiveness boards - a part of Five Presidents Report, the Euro Plus Pact or the European Central Bank research network CompNet.

A brief review of recent literature and expert opinion is provided concerning the concept of competitiveness as related to these selected EU initiatives. The presentation identifies their promises and pitfalls. In particular, it stresses the need of more nuanced approach to competitiveness, which goes beyond the narrow perspective centred on the synchronisation of cost developments. In the current form, with strict focus on wage harmonisation, it seems to abuse the term competitiveness.

The "competitiveness" attempts undertaken at the EU level to go beyond the fiscal policy, macroprudential supervision and monetary tools - main instruments aiming at solving or alleviating the crisis - should be undoubtedly welcome. However, the emerging trend to centre on the quantitative aspect, i.e. the straightforwardly measurable and comparable dimension of competitiveness such as the wage developments must be treated with caution. Relatively easy to coordinate as a synchronisation tool among the EU members it masks, however, deeper sense of competitiveness. It goes without saying, that the evolution of salaries and productivity must be aligned and certain level of convergence among the members of monetary union is necessary. Nevertheless, reducing competitiveness to such issue seems inadequate as it ignores the "high road and beyond GDP" competitiveness which is the reality for mature European economies. Hopefully, promoted attitude will not be considered in the way the nominal Maastricht criteria were once regarded - as some artificial threshold which does not necessarily reflect the real economic

conditions and cannot be the exact proof of the soundness of a country's macroeconomic policies. Competitiveness should be understood as more than only certain resilience and adjustment capacity. Hence, there is a clear need for the EU to get the competitiveness concept right.

Keywords: competitiveness, European Union, crisis

JEL: E02, O10, O40

Email: martagoetz@gmail.com; m.gotz@vistula.edu.pl

Aleksandra Gregorič (Copenhagen Business School), Thomas Poulsen: Understanding employee board representation: Empirical analysis using Danish linked employer-employee data

Abstract: n.a.

Keywords:

JEL:

Email: agr.int@cbs.dk

Jugheli, Tamar (University of Groningen, Research project Governance in Emerging Economies): The evolution of state-owned enterprises in Georgia - The role of state as shareholder for promoting economic development

Abstract: State-owned enterprises (SOEs) and joint-ventures between private business and state have been a central component of successful state-led economic policy from East Asia to Latin America. Georgia, which is widely associated with its far-reaching liberal economic policy after the Rose Revolution, has been undergoing a shift towards state-led economic approaches since 2011. This comprises also a changing attitude towards SOEs.

So far, the state-owned enterprise sector in Georgia is relatively small and its contribution to GDP amounted to 7 percent and accounted for about 10 percent of formal employment in 2012. Most of the 1129 SOEs that had been established in the period between 1991- 2011 were highly inefficient and poorly managed. A turning point marks the establishment of the Partnership Fund (PF), which was created in 2011

to manage the five biggest and most profitable SOEs and to invest in joint-ventures with private investors. In doing so, the state is entering as shareholder promising sectors of the Georgian economy.

The paper is dedicated to analyze PF's investment performance on two levels, first, the investment strategy and economic performance of the joint-ventures and, second, the governance performance of PF. The second level comprises the analysis of the established corporate governance models of the joint ventures as well as the structural capacities and decision process of PF for investing and managing these companies. The paper will theoretically draw upon and empirically contribute to the comparative literature on the role of SOEs for promoting economic development.

Keywords: Georgia, State-owned Enterprises, economic policy

JEL: O38, O25

Email: jugheli@gee-research.net

Kocenda, Evzen (Charles University Prague,), Jan Hanousek: FDI and ownership in Czech firms: Pre- and post-crisis efficiency

Abstract: We analyze how efficiency of firms in the Czech Republic is affected by their size, age, competition, capital structure, ownership types, and global financial crisis. We employ the stochastic frontier approach, use a large and detailed dataset, and cover time span 2001-2012. We show that larger firms cannot be associated with better efficiency in general. Effect of their age has only negligible impact. Impact of the capital structure is shown to be strong in large and more leveraged firms. Higher competition is not contributive to efficiency neither on individual nor aggregate levels. While effects of firm characteristics are small, the effects of ownership are economically substantial. We show that majority owners are most contributive with respect to firm's efficiency when compared to other categories we analyze. Minority owners with legally grounded power are able to impose significant efficiency improvement. The effect of the foreign ownership is strongest when foreign owners control firms with less than majority of voting power. Minority owners sharing the control do not seem to contribute to efficiency. The impact of crisis is not balanced but can be regarded as negative in general. The firms' characteristics

change only a little. In contrast, worsening impact of the crisis is evidenced for controlling ownership categories. Minority owners

Keywords: efficiency; ownership structure; firms; panel data; stochastic frontier; Europe

JEL: C33, D24, G32, L60, L80, M21

Email: evzen.kocenda@fsv.cuni.cz

Kuboniwa, Masaaki (Hitotsubashi University): Estimating GDP of the oil and gas sector in the Soviet Union and the present Russia

Abstract: We find a Soviet legacy for the present Russia in its resource dependency as well as its implicit accounting of resource rents from foreign trade. We prove that the Soviet Union and the present Russia as well has derived the major part of resource rents from the differences between foreign trade prices and domestic prices of resources. We make full use of the Soviet input-output tables (IOT) at domestic prices for 1972 and 1976-1990, which has been available after the breakup of the Soviet Union, and the official data on foreign trade to capture the Soviet rents. We also employ Russian data on domestic producer prices and foreign trade prices of the oil and gas for 1998-2015 to synthesize the Russian rents. We also find a Soviet legacy in the national accounts where resource rents have been accounted not as value-added of the oil and gas but implicitly as that of the trade sector. In order to measure the Soviet and Russian resource dependency correctly, we present explicit estimates of resource rents generated from the oil and gas. Then, through appropriately reallocating estimated rents, we demonstrate the value-added at factor costs or basic prices and GDP at market prices of the Soviet and Russian oil and gas sector. This paper is part of a joint research with Professors Shinichiro Tabata and Yasushi Nakamura on Soviet Legacy.

Keywords: Soviet legacy, oil and gas, rent

JEL: E01, P33, P51

Email: kuboniwa@ier.hit-u.ac.jp

Lehmann, Hartmut (University of Bologna, IZA, DIW and WDI), Sinem Ayhan, Ksenia Gatskova: Cognitive and non-cognitive skills and labor market performance in rural Ukraine

Abstract: n.a.

Keywords:

JEL:

Email: hartmut.lehmann@unibo.it

Meunier, Bogdan (University of Paris 1 Panthéon Sorbonne): Firm entry and exit during a crisis period. Evidence from Russian regions

Abstract: In this paper, we aim to empirically analyze the determinants of firm entry and exit in Russia using a regional-level panel data for the years of 2008-2014, with special emphasis on institutional failures and the politico-economic impact of external crises. We found that these two elements exhibit statistically significant and economically meaningful effects both on the creation and destruction of Russian firms, while controlling for potentially explanatory factors. Our empirical results also suggest that the process of firm entry and exit is manifold across Russian regions due to their heterogeneity. Nevertheless, a surprisingly robust estimate of the world oil price, irrespective of the difference in target regions, suggests a possible high exposure of each Russian region to a global crisis. This comes from the importance of oil trade with the world and, accordingly, the ongoing crisis may bring a harmful influence to regeneration of Russian businesses

Keywords: firm entry, firm exit, institutions, economic integration, crisis, Russia

JEL: D22, F15, G01, P31, P33

Email: meunierbogdan@gmail.com

Migheli, Matteo (University of Turin): Land ownership, access to and cost of informal credit: Evidence from the Mekong Delta

Abstract: Access to credit and its cost is a major challenge for farmers in developing countries. Formal moneylenders often ration these economic agents, as they lack assets to give as collateral for the loans. Consequently, farmers resort to informal credit. Several studies show that land serves as collateral for accessing formal credit, but they often do not find any significant effect of land size on access to informal credit. Here I study the effects of land ownership on both the demand and the cost of informal credit in the Mekong Delta. The results show that as land ownership increases, both the demand and the cost of informal loans decrease. This result is relevant in developing countries, where land reforms are still ongoing, as it shows that land redistribution may contribute to the development of formal credit markets.

Keywords: informal credit; land ownership; Vietnam

JEL: N25, O12, O17

Email: matteo.migheli@unito.it

Murzakulova, Zhanat (University of Groningen, Research project Governance in Emerging Economies): Kazakhstan's industrialization: structural change or path-dependence

Abstract: Today Kazakhstan is positioned at lower levels of global value chain due to resource nature of its exports. Kazakhstan's national idea to join TOP-30 richest economies by 2050 requires measures to promote more stable economy with sustained long-term growth. To achieve this national goal Kazakhstan has to move up global value chain and specialize in activities with highest value-added. In order to gain competitiveness resource abundant countries have to move away from their given comparative advantage. As Evans (1995) called it, they have to "construct comparative advantage".

According to resource curse theory market-led diversification is constrained in resource intensive countries. Recent research literature on economic diversification in resource-rich countries argues that, when properly managed, resource wealth provides grounds for economic transformation. Given that commodities sectors can develop independently from other industrial sectors and operate as economic enclaves, installing economic linkages between extraction and other industrial sectors appears to be a safe way to successful industrialization.

The paper will discuss how Kazakhstan can promote its industrialization based on linkage creation theory (Hirschman, 1977). This analysis is highly fruitful given increased state-activism in Kazakhstan after financial crisis and move towards selective industrial policy accompanied by National Champions initiative. Under condition of underdeveloped financial market industrialization is mainly funded by National Oil fund. Given current low oil prices and limited resources of National Oil Fund state have to apply its abilities in a best way to succeed. The coordinative role of state structures and state's capacity as well as the nature of private-public interaction in Kazakhstan's industrial policy will be thoroughly examined.

Keywords: Kazakhstan, Industrial policy

JEL: O25, 038

Email: murzakulova@gee-research.net

Nikolova, Milena (Institute for the Study of Labor (IZA), The Brookings Institution): The Bulgarian happiness (in)efficiency

Abstract: Despite the burgeoning academic literature on the determinants of happiness at the individual- and country-level, scholars have largely ignored explorations of how individuals or countries translate given resources into well-being. Using panel data on 91 countries from Gallup Analytics between 2009-2015 and borrowing insights from production theory, we investigate whether countries in our sample, and Bulgaria, in particular, efficiently reach happiness levels with current resources (i.e., income, education, and health). We focus on Bulgaria as it is often lurks at the bottom of the international happiness rankings despite it being an upper middle income country. Our results imply that happiness efficiency gains are possible worldwide, i.e., countries could achieve higher well-being levels with current resources. Furthermore, Bulgaria is among the least efficient countries except in 2013, when the country-wide protests likely made Bulgarians more informed about their endowments and improved the efficiency with which they were translating capabilities into well-being. Our second-stage analyses indicate unemployment and involuntary part-time employment reduce efficiency while the rule of law and freedom perceptions improve it. The results are robust to several checks. Within-country investigations demonstrate that a minority of

Bulgarians are efficient in translating their resources into happiness. Efficiency is lower among the unemployed, divorced/separated, widowed, the old, large households and households with children, while living in a city, freedom, generosity, and social support improve efficiency. We provide some of the first insights about whether higher well-being levels are possible with current resources and open policy-relevant questions about the relevant instrument improving happiness efficiency.

Keywords: Bulgaria; efficiency analysis; happiness

JEL: I31, P52, R15

Email: nikolova@iza.org

Orlic, Edvar (Bournemouth University), I. Hashib, M. Hisarciklilar: Cross sectoral FDI spillovers and their impact on manufacturing productivity

Abstract: This paper explores the relationship between FDI spillovers and productivity in manufacturing firms in five European transition countries. The novelty of our approach lies in separating the impact of vertical linkages in services and manufacturing sectors. For this purpose, we rely on firm level data obtained from the Amadeus database and annual input output tables. The results from a dynamic panel model reveal that local manufacturing firms benefit from presence of foreign firms in upstream services, especially those pertaining to knowledge intensive services and downstream manufacturing sector, while the effect of intra-industry spillovers is negative. Consideration of firm characteristics shows that the firms' productivity is also positively influenced by human capital and intangibles. In addition, it was found that the magnitude of backward manufacturing linkages and forward services linkages increases with the intensity of the use of intangible assets, with much heterogeneity across countries. The results for intra-industry spillovers suggest attenuating effects for higher levels of firms' absorptive capacity.

Keywords: FDI, services, vertical linkages, productivity spillovers

JEL: C23, D24, F23

Email: eorlic@bournemouth.ac.uk

Pérotin, Virginie (Leeds University Business School): Are more democratic firms more productive?

Abstract: n.a.

Keywords:

JEL:

Email: v.perotin@lubs.leeds.ac.uk

Pignatti, Norberto (La Salle University), Adam Pelillo: Stalled structural transformation and missing labor markets in the Republic of Georgia

Abstract: n.a.

Keywords:

JEL:

Email: npignatti@gmail.com

Popova, Olga (IOS Regensburg, CERGE-EI, Ural Federal University): Psychological costs of currency transition: Evidence from the Euro adoption

Abstract: We analyze individual levels of life satisfaction in Slovakia, after that country adopted the Euro, following a spirited debate. We gauge the psychological cost of transition to the new currency by comparing individual life satisfaction, not only before and after Euro introduction, but by comparison with individuals with similar characteristics in the neighboring Czech Republic, which did not adopt the Euro. Both countries were economically and politically integrated for decades, and share similar macroeconomic indicators just before the currency change in Slovakia. We find evidence of substantial psychological costs of currency transition, which are especially important for the old, the unemployed, those with low education and in households with children. We believe these results suggest the importance of information and enlightened debate before a sweeping change in economic context such as the adoption of a new currency.

Keywords: Euro; Slovakia; subjective well-being

JEL: E52, F55, I31

Radu, Dragos (IOS Regensburg), Ekaterina Selezneva: Never look back (In anger): The life-satisfaction of East European migrants and returnees

Abstract: Little is known about the way in which international mobility affects the subjective well-being of migrants and returnees over the life-cycle. Our paper contributes to this research topic by analysing the variation in life-satisfaction differentials between migrants, non-migrants and returnees across Central and East European countries. Such cross-national differences remain unaccounted for in the recent literature on subjective well-being. We use cross national survey data (specifically from the ESS and UNDP Social Exclusion Survey) which allow us to identify migrants and returnees. We find a large cross-country variation in the differences between non-migrants, migrants and returnees in terms of subjective well-being. This variation cannot be accounted for in terms of differences in individual characteristics due to the self-selective nature of migration. We analyse therefore the degree to which such cross-national differences can be attributed to socio-political factors which varied greatly during post-communist transition.

Keywords: life satisfaction; returning migrants; aspirations

JEL: I3, F22, D02

Email: radu@ios-regensburg.de

Richet, Xavier (University Sorbonne Nouvelle, Paris): Geographic and sectoral factors in Chinese Direct Investment in Europe

Abstract: The flows and stocks of foreign direct investment from China have increased sharply since the beginning of the millennium and accelerated in the wake of the financial crisis of 2007-2008. After being mainly directed to access resources, since the last ten years Chinese investments are directed towards major developed market economies. Investing companies are looking for strategic assets but also new markets for Chinese products with high and medium technology, for services, finance, real estate. The case of Europe as a destination for

Chinese FDI is interesting to study for several reasons: Chinese firms seeking to enter into regional value chains are looking upstream or downstream for inputs they don't have yet but that necessary either to catch up technologically on the domestic market or to enter new markets abroad. The entry of Chinese FDI is made easier in Europe than in the US because of more liberal regulations toward Chinese investments. The decline in the share price of many European companies facilitates the acquisition or entry into the capital of renowned European firms. Despite their rapid growth, the level of Chinese FDI remains modest and the EU authorities and member States are adopting measure which should increase the volume of investments. We will discuss the impact of Chinese FDI among host countries, the building up of a real value chains including Chinese firms and how they could really benefit both way to these firms which intend to become important players in Europe.

Keywords: China, FDI, emerging economies

JEL: F23, L24, O52

Email: xrichet@gmail.com

Sass, Magdolna (Centre for Economic and Regional Studies, HAS, Hungary): Emerging CEE Multinationals in the electronics industry

Abstract: In spite of the quite recent start of outward foreign direct investment from the Central and East European region and the relative backwardness of the region in terms of the electronics industry, certain countries have become homes to multinational companies in this industry. The chapter makes the first attempt to identify and describe certain characteristics of these CEE electronics multinationals. Ist methodology relies on a macro approach in terms of identifying the CEE countries with substantial electronics outward FDI and of a micro approach in terms of having a look at certain information about the companies identified. Given the limits of the comparable information available, the chapter concentrates on a few characteristics of these companies and compares them first with each other, and second, with other emerging electronics multinationals. Preliminary findings include the proof for the existence of CEE electronics multinationals, the presence of the effi-

ciency-seeking and the innovation-seeking motive as well as calling attention to certain differences between the analysed CEE electronics multinationals.

Keywords: electronics multinationals, Central and Eastern Europe, Hungary, Poland, Slovenia

JEL:

Email: sass.magdolna@krtk.mta.hu

Sass, Magdolna (CERS, Hungarian Academy of Sciences): Indigenous technological development through subcontracting linkages from multinationals: evidence and policy implications based on the experience of the Hungarian pharmaceutical industry

Abstract: It has been largely demonstrated in the literature that linkages between foreign subsidiaries of multinationals and indigenous firms is a major determinant of the impact of FDI in a host country and vertical backward linkages between foreign subsidiaries of multinationals and indigenous suppliers are probably the most important canal for the transfer of technology and knowledge. The bulk of the sectoral studies (in automotive and electronics) in Central and Eastern Europe detect poor relationships between the foreign and local firms. Local suppliers have been cornered in price-driven subcontracting and are linked by casual relationships to foreign subsidiaries of multinationals.

The Central European pharmaceutical industry has only been poorly studied although this industry belongs to the high-technology industries with important potential technological effect on the local industry. The present paper aims at filling this gap.

Because the pharmaceutical industry is specialized in high-technology oriented activities, long-term relationships with transfer of knowledge between producers and suppliers may be more important than in other industries. Structural evolutions of the pharmaceutical industry may also facilitate the creation of technological cooperation between multinationals and CEE firms. Indeed, the pharmaceutical companies have engaged in the last two decades in a process of increasing externalization of some R&D activities.

We chose to focus our study on the CEE country with the highest potential of technological cooperation in the pharmaceutical industry: Hungary. In order to assess the nature of the relationships linking the

foreign subsidiaries of multinationals to the Hungarian industry we worked, directly, by interviews with companies and indirectly, by working on the R&D information and patent data of the Hungarian firms to evaluate their technological research capabilities.

We found that pharma companies can basically be categorized into five groups, with only the first one (with only two firms) carrying out quality R&D activities and offering and realizing substantial local linkages. Furthermore, our interviews showed that the pharma industry itself has lower than average local contacts compared to the manufacturing average on one hand and the units specialized on R&D have a very specific circle of local actors with whom they cooperate.

As far as policy implications are concerned, we point out, first, industry differences in terms of (potential) local linkages and second, the importance of the nature and content of local linkages (compared to their sheer existence) from the point of view of the depth and nature of their local linkages.

Keywords: multinationals, Hungary, pharmaceutical industry

JEL: F23, F61, F68

Email: sass.magdolna@krtk.mta.hu

Schumann, Thomas (Technische Universität Bergakademie Freiberg):
Fostering regional economic development by promoting cooperative banking structures - Lessons learned in Russia

Abstract: Cooperative Banks constituted an important determinant in the economic development of West European countries in the 19th and 20th century. They can be classified as »two-bottom-line« institutions pursuing commercial as well as social interests of their members. Due to this reason they act rather stakeholder- than shareholder-oriented. Focusing on the regional level opened up room to support economic development processes by a) providing appropriate financial services to their members-customers and b) by looking at the overall picture of regional investment patterns considering necessary additional elements like e.g. branch competition and infrastructure. Cooperative banks which make efficiently use of their potential have to consider their own institutional and commercial development in order to be a full-fledged and - relevant - part of the banking system. This implies to offer carefully-designed financial products according to the level of

development of their members/customers, of the regions and of the financial system in which they are embedded. From this perspective the paper analyses the emergence of rural cooperative banking structures in the Russian Federation that developed after 1990 by referring and updating Chick/Dow's "stages-of-banking-model". The empirical data on Russian regions suggest that cooperative banking institutions need to achieve further elements of modern banking for becoming fundamental players in the regional development of transition countries.

Keywords: Russia, credit cooperatives, regional development.

JEL: D02, D82, P25

Email: thomas.schumann@tu-freiberg.de

Schweiger, Helena (EBRD), W. Bartz, P. Mohnen: The role of innovation and management practices in determining firm productivity in developing economies

Abstract: In this paper, we compare the impacts of management practices and innovation on productivity, using data from a unique firm-level survey covering 30 countries in Eastern Europe and Central Asia in the period 2011-2014. We adapt the well-established three-stage model by linking productivity to innovation activities and management practices. Results suggest that both returns to innovation and returns to management practices are important drivers of productivity in developing economies. However, productivity in lower-income economies is affected to a larger extent by management practices than by innovation while the opposite holds in higher-income economies. These results imply that firms operating in less favourable business environments are able to compensate for the lack of innovative activities by improving the quality of management practices.

Keywords: Developing Countries; Management Practices

JEL: D24, O14

Email: SchweigH@ebrd.com

Szanyi, Miklós (Budapest Business School, Institute of World Economics, CERS HAS): The FDI-led development model revisited? The case of Hungary

Abstract: exhibit a limited disciplining effect to improve efficiency after the crisis.

Keywords: FDI policy, crony capitalism, patronage state

JEL: D72, H82, P16, P31

Email: szanyi100@gmail.com

Szelagowska, Anna (Warsaw School of Economics), Agnieszka Alinska: Cooperative banking sector in Poland during the global financial crisis

Abstract: The global financial crisis caused many changes in the European financial market. The cooperative banking sector as well as other commercial banks were obliged to implement new regulatory solutions to strengthen the safety of their operations. European regulations and safety requirements for the cooperative banking sector should be fully synchronized with the national legislation. It should be considered as a basis to develop their potential, market advantage and build a stable, safe and effective networking of cooperative banking in the country.

Cooperative banking sector in Poland has a long (more than 150 years old) history of functioning on the market, a good understanding of the needs of local customers and stable market share. Despite their many advantages, the cooperative banks in Poland have transitional problems, either in the internal organization or obtaining positive financial results. Lack of coordination of the operation of the cooperative banking sector in Poland had led to a situation in 2015, where one of the largest cooperative bank (SK-Bank) went bankrupt.

This article presents the analysis of the current cooperative banking sector in Poland, taking into account the external conditions and the impact of domestic factors and applied institutional solutions typical to the Polish sector of cooperative banks. In addition, one can observe a systematic decrease of profitability in this sector and the need for mergers or implementation of remedial programs supervised by the Polish Financial Supervision Authority. In this context, looking for an answer on the question where is the problem, seems to be one of the

priority in the cooperative banking sector. The new approach in the sector of cooperative banking in Poland should be the basis to implement more radical institutional solutions.

Keywords: Cooperative banking, financial crisis, banking regulation, Poland

JEL: G18, G21, P13

Email: n.a.

Szunomár, Ágnes (Centre for Economic and Regional Studies, HAS, Hungary), Agnieszka McCaleb: Emerging multinationals in emerging Europe: Huawei in Central and Eastern Europe. A case study on Huawei's operations in Hungary and Poland

Abstract: n.a.

Keywords:

JEL:

Email: szunomar.agnes@krtk.mta.hu

Tabata, Shinichiro (Hokkaido University): Observations on high inflation in Russia in 2014 and 2015

Abstract: Inflation in Russia exceeded 10 percent in both 2014 and 2015. This paper analyses its causes and clarifies differences and similarities of high inflation in these years in comparison with the inflation in previous periods from 2000 to 2013. Influence of economic sanctions and anti-sanctions, in addition to the impact of the ruble depreciation caused by the drop in oil prices is analyzed. Special attention is paid to state-regulated prices in natural monopoly spheres. Another factors, such as money supply and wage increases, are taken into consideration as well. Based on this analysis, I want to clarify why Russia has not succeeded to reduce inflation rate below 5 percent so far.

Keywords: Russian economy, inflation, price control

JEL: E31, P24, P27

Email: shin@slav.hokudai.ac.jp

Uegaki, Akira (Seinan Gakuin University): Soviet trade in the period of WWII

Abstract: In the talk I will present a new data series of export and import of the USSR in 1941 - 45 which has not been available in official statistics of the USSR. In the new data I found that overwhelming amounts of the imports were those from the USA through the framework of "Lend-Lease Acts". The imports include not only military goods but also non-military goods, which had become a focus of debate between Soviet government and American government after the end of the war. I will analyze how large impact of the imports was on the war economy of the Soviet Union in the period of WWII. This study is a part of a large research project of Hitotsubashi University compiling data of Russia's and USSR's economic history.

Keywords: Soviet trade date, WWII, Lend-Lease Acts

JEL: F14, F34

Email: uegaki@seinan-gu.ac.jp

Voicu, Bogdan (Romanian Academy of Sciences, Research Institute for Quality of Life), Marian Vasile: City scale. On post-migration life satisfaction

Abstract: This paper is about migrants' life satisfaction. Following the work of Glick Schiller (2012); Glick Schiller, Caglar, and Guldbrandsen (2006) and Glick Schiller (2015), we argue that the relationship between city scale and life satisfaction is moderated by the intensity of relationships with the stayers. Independently if international or nor, migration may change life satisfaction. Moving from small-scale to large-scale cities one is expected to increase life satisfaction due to more opportunities for a better life. However, this is not the whole story. Migrants' roots still have an effect on their quality of life. Intense relationships with the stayers and big negative differences between origin and host cities scale diminish life satisfaction of migrants. The shadow of 'bad life' is there. Besides the psychological consequences of failure like low self-esteem, there will be adaptation problems given the lower opportunities for increasing the standard of living. We use data gathered from Romanian

migrants in 2008, complementary to the 4th wave of the European Values Study. Multilevel modeling allows testing these assumptions.

Keywords:

JEL:

Email: bogdan@iccv.ro

Wancio, Agata (Collegium of World Economy, Warsaw School of Economics): Understanding the interplay between OFDI and innovation: the evidence from Indian electronic and IT multinationals

Abstract: Despite a rapid growth of emerging multinationals from the South countries and their progress in narrowing gap to more advanced economies in many ways, few empirical studies on outward FDI implications have focused specifically on an innovation area. The paper makes an attempt to cast new light on the linkage between foreign expansion and innovation using an example of India. It examines an expansion of Indian electronic and IT multinationals, which seems to be particularly interesting in the context of strengthening ownership advantages through outward FDI. Overseas projects bring both challenges and opportunities for Indian companies aspiring to emerge as global players based their advantages on advance technologies and other innovative solutions. Among other features, there are analysed motives, strategies and other characteristics of leading Indian MNEs from the industry, including the degree of their transnationality as compared to their counterparts from other emerging markets. Besides the mentioned characteristics of electronic and IT Indian MNEs, the paper also briefly discusses the development path of the electronics industry in India along with the role of FDI flowing into the country in boosting that industry. While analysing outward FDI special attention is paid to the importance of strategic-asset seeking motive related to technology and knowledge and its implication for innovation advancement of Indian companies. The obtained results show that presence of Indian electronic and IT multinationals on the global market and the innovation activities undertaken there do matter for their innovation behaviour and performance at home.

Keywords:

JEL:

Email: agata.wancio@gmail.com

Notes



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Conference Venue: Vielberth Gebäude
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